EMMET COUNTY COUNCIL OF GOVERNMENTS
ESTHERVILLE, IOWA

INDEPENDENT AUDITORS' REPORTS
FINANCIAL STATEMENT AND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

DECEMBER 31, 2009

Table of Contents

	Exhibit	Page
Officials		3
Independent Auditors' Report		5-6
Management's Discussion and Analysis		7-10
Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets	A	13-14
Notes to Financial Statement		15-20
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of a Financial Statement Performed in Accordance with Government Auditing Standards		23-25
Schedule of Findings		26-28

EMMET COUNTY COUNCIL OF GOVERNMENTS
Officials

Name	Title	Representing
Jim Jenson	Chairperson	Emmet County
Gene Haukoos	Vice-Chairperson	City of Estherville
Steven Woodley	Secretary-Treasurer	City of Estherville
Vaughn Brua	Member	City of Estherville
Harold Sawyer	Member	City of Estherville
Max Cole	Member	City of Ringsted
Randy Beaver	Member	Emmet County
Bob Gommels	Member	City of Gruver

Emmet County Council of Governments

Brinkman &
Reed, CPA's

103 South Sixth Street Estherville, Iowa 51334 712-362-5891 Phone 712-362-7172 Fax

INDEPENDENT AUDITORS' REPORT

To the Members of
Emmet County Council of Governments:

We have audited the accompanying financial statement of the Emmet County Council of Governments as of and for the year ended December 31, 2009. This financial statement is the responsibility of the Council's management. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described in Note 1, this financial statement is prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash basis financial position of the Emmet County Council of Governments as of December 31, 2009 and the changes in its cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated September 29, 2010 on our consideration of the Emmet County Council of Governments' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal

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control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 7 through 10 is not a required part of the financial statement, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Brinkman + Reed, CPA's

BRINKMAN & REED, CPA's

August 20, 2010

Emmet County Council of Governments (ECCOG)
Estherville, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS - 2009

ECCOG provides this Management's Discussion and Analysis of its financial statement. This narrative overview and analysis of the financial activities of ECCOG is for the year ended December 31, 2009. We encourage readers to consider this information in conjunction with ECCOG's financial statement, which follows:

2009 FINANCIAL HIGHLIGHTS

- ECCOG's operating receipts decreased $23,155 or 6% from 2008 to 2009.
- ECCOG's operating disbursements decreased $60,592 or 15% from 2008 to 2009.

USING THIS ANNUAL REPORT

ECCOG has elected to present its financial statement on a cash basis of accounting. The cash basis of accounting is a basis of accounting other than U.S. generally accepted accounting principles. Basis of accounting refers to when financial events are recorded, such as the timing for recognizing revenues, expenses and related assets and liabilities. Under ECCOG's cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from cash transactions.

As a result of the use of this cash basis of accounting, certain assets and their related revenues and liabilities and their related expenses are not recorded in this financial statement. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

The annual report is presented in a format consistent with the presentation of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to ECCOG's cash basis of accounting.

This discussion and analysis are intended to serve as an introduction to ECCOG's financial statement. The annual report consists of the financial statement and other information as follows:

- Management's Discussion and Analysis introduces the financial statement and provides an analytical overview of ECCOG's financial activities.
- The Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets presents information on ECCOG's operating receipts and disbursements, non-operating receipts and disbursements and whether ECCOG's financial position has improved or deteriorated as a result of the year's activities.
- The Notes to Financial Statement provide additional information essential to a full understanding of the data provided in the financial statement.

Emmet County Council of Governments (ECCOG)
Estherville, Iowa

FINANCIAL ANALYSIS OF ECCOG

Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets

Changes in total net assets as presented on the Statement of Net Assets - Cash Basis are based on the activity presented in the Statement of Cash Receipts, Disbursement and Changes in Net Assets - Cash Basis. The purpose of the statement is to present the receipts received by ECCOG and the disbursements paid by ECCOG, both operating and non-operating. The statement also presents a fiscal snapshot of ECCOG to the readers of the financial statement.

Over time, readers of the financial statement are able to determine ECCOG's financial position by analyzing the increases and decreases in net assets.

Operating receipts are received for gate fees from accepting solid waste, recycling revenue, and a financial contribution from Emmet County. Operating disbursements are disbursements paid to operate ECCOG. Non-operating receipts and disbursements are for interest on investments, miscellaneous income and lease income. A summary of cash receipts, disbursements and changes in cash basis net assets for the years ended December 31, 2008 and 2009 are presented below:

	2008	2009
Operating Receipts:		
Solid Waste Income	$376,288	$365,704
Recycling Income	28,097	15,526
Emmet County Contribution	12,000	12,000
Total Operating Receipts	**$416,385**	**$393,230**
Operating Disbursements:		
Personnel Services:		
Operations Salaries	$ 49,770	$ 47,276
Employee Health Insurance	18,732	20,815
Extra Help	7,389	16,021
Administrative Salaries	2,403	1,270
Social Security	4,527	5,086
IPERS	3,845	4,383
Total Personnel Services	**$ 86,666**	**$ 94,851**
Operations:		
Landfill Fees	$168,027	$179,402
Insurance and Bonds	9,831	10,383
Recycling Supplies	13,025	13,488
Equipment Maintenance	9,542	7,626
Diesel Fuel	11,391	4,928
Electricity	3,167	3,212
Professional Services	2,975	3,050
Natural Gas	2,172	2,238
Gas and Oil	911	777
Engineering Services	111	111
Travel	24	-0-

Emmet County Council of Governments (ECCOG)
Estherville, Iowa

Operating Disbursements:	2008	2009
Operations (Continued):		
Building Maintenance	541	1,566
Telephone	517	573
Water	401	446
Sanitary Sewer	360	360
Miscellaneous	216	486
Equipment Hire	-0-	85
Postage	162	515
Office Supplies	639	462
Road Gravel	-0-	72
Printing	153	593
Clothing Allowance	230	98
Total Operations	**$224,395**	**$230,471**

Operating Disbursements (Continued):	2008	2009
Capital Improvements:		
Closure/Post-Closure Costs	-0-	-0-
Building Improvements	1,105	12,811
New Equipment	86,559	-0-
Total Capital Improvements	87,664	12,811
Total Operating Disbursements	**$398,725**	**$338,133**
Excess of Operating Receipts Over Operating Disbursements	$ 17,660	$ 55,097
Non-Operating Receipts:		
Insurance Refunds	949	947
Solid Waste Tax Retainage Grant	23,059	-0-
Sale of Equipment	110	-0-
Miscellaneous Income	44	-0-
Lease Income	500	500
Interest on Investments	2,362	1,566
Net Non-Operating Receipts	$ 27,024	$3,013
Change in Cash Basis Net Assets	$ 44,684	$58,110
Net Assets - Cash Basis Beginning of Year	$173,194	$217,878
Net Assets - Cash Basis End of Year	**$217,878**	**$275,988**
Cash Basis Net Assets:		
Restricted (Transfer Station Closure)	$ 4,000	$ 4,000
Unrestricted	213,878	271,988
Total Cash Basis Net Assets	$217,878	$275,988

In 2009 total operating receipts were $393,230, a 6% decrease. In 2009, total operating disbursements were $338,133, a 15% decrease from 2008. The decrease was primarily due to no equipment purchases.

Emmet County Council of Governments (ECCOG)
Estherville, Iowa

A small portion of ECCOG's net assets (2%) is restricted for closure cost. State and federal laws and regulations require ECCOG to place funds aside to perform closure functions at the transfer station site upon closing. The remaining net assets (98%) are the unrestricted net assets that can be used to meet ECCOG's obligations as they come due. The Board of Directors of ECCOG has designated $100,000 of unrestricted net assets for future equipment replacement and building improvements.

LONG-TERM DEBT

On December 31, 2009, ECCOG had no long-term debt.

ECONOMIC FACTORS

ECCOG continued to improve its financial position during the current fiscal year. However, the continually changing state regulations continue to be a concern for ECCOG officials. Some of the realities that may potentially become challenges for ECCOG to meet are:

- Equipment and facilities require constant maintenance and repair/replacement.
- State restrictions on items permitted to be taken to the landfill are increasing which also increases ECCOG's cost of "proper disposal."
- Arbitrary and unrealistic state recycling goals will increase the cost for ECCOG customers to comply with these questionable state policies.
- Closure / Post Closure requirements and unrealistic mandates placed on the City of Spencer by the State will significantly increase ECCOG's landfill fees in 2010.

Steven D Woodley

Steven D. Woodley
Secretary-Treasurer 8-9-10

Emmet County Council of Governments

Financial Statement

Exhibit A

EMMET COUNTY COUNCIL OF GOVERNMENTS
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS NET ASSETS
YEAR ENDED DECEMBER 31, 2009

Operating Receipts:	
Solid Waste Income	$365,704
Recycling Income	15,526
Emmet County Contribution	12,000
Total Operating Receipts	393,230
Operating Disbursements:	
Personnel Services:	
Operations Salaries	47,276
Employee Health Insurance	20,815
Extra Help	16,021
Social Security	5,086
IPERS	4,383
Administrative Salaries	1,270
Total Personnel Services	94,851
Operations:	
Landfill Fees	179,402
Recycling Supplies	13,488
Diesel Fuel	4,928
Insurance and Bonds	10,383
Equipment Maintenance	7,626
Electricity	3,212
Professional Services	3,050
Natural Gas	2,238
Gas and Oil	777
Office Supplies	462
Building Maintenance	1,566
Telephone	573
Water	446
Sanitary Sewer	360
Clothing Allowance	98
Miscellaneous	486
Postage	515
Printing	593
Engineering Services	111
Equipment Hire	85
Road Gravel	72
Total Operations	230,471

Exhibit A

EMMET COUNTY COUNCIL OF GOVERNMENTS
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS NET ASSETS
YEAR ENDED DECEMBER 31, 2009

Operating Disbursements (Continued):	
Capital Improvements:	
Building Improvements	12,811
Total Capital Improvements	12,811
Total Operating Disbursements	338,133
Excess of Operating Receipts Over Operating Disbursements	55,097
Non-Operating Receipts:	
Insurance Refunds	947
Lease Income	500
Interest on Investments	1,566
Net Non-Operating Receipts	3,013
Net Change in Cash Basis Net Assets	58,110
Cash Basis Net Assets Beginning of Year	217,878
Cash Basis Net Assets End of Year	$275,988
Cash Basis Net Assets	
Restricted for:	
Closure	$ 4,000
Unrestricted	271,988
Total Cash Basis Net Assets	$275,988

See Notes to Financial Statements

(1) Summary of Significant Accounting Policies

The Emmet County Council of Governments (ECCOG) was established in 1973 as an intergovernmental cooperative agency under Chapter 28E of the Code of Iowa. The purpose of ECCOG is to provide for the proper disposal of solid waste generated from the member governments within Emmet County.

The government of Emmet County and the cities of Estherville, Gruver, Ringsted and Wallingford are presently members of ECCOG.

A. Reporting Entity

For financial reporting purposes, Emmet County Council of Governments has included all funds, organizations, agencies, boards, commissions and authorities. The Council has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Council are such that exclusion would cause the Council's financial statement to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Council to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Council. The Council has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

The accounts of the Council are organized as an Enterprise Fund. Enterprise Funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services supported by user charges.

Enterprise Funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an Enterprise Fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

C. Basis of Accounting

Emmet County Council of Governments maintains its financial records on the basis of cash receipts and disbursements and the financial statement of the Council is prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items, including the estimated payables for closure and postclosure care. Accordingly, the financial statement does not present the financial position and results of operations of the Council in accordance with U.S. generally accepted accounting principles.

D. Net Assets

Funds set aside for payment of closure costs are classified as restricted.

(2) Cash and Investments

The Council's deposits in banks at December 31, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Council is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. The Council has not formally adopted an investment policy.

The Council had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

(3) Pension and Retirement Benefits

The Council contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 4.30% of their annual salary and the Council is required to contribute 6.65% of annual covered payroll for the period from July 1, 2009 through December 31, 2009 and 4.10% and 6.35%, respectively for the period from January 1, 2009 through June 30, 2009. Contribution requirements are established by state statute. The Council's contributions to IPERS for the years ended December 31, 2009, 2008, and 2007 were $4,383, $3,845, and $3,756, respectively, equal to the required contributions for each year.

(4) Compensated Absences

Council employees accumulate a limited amount of earned but unused vacation leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the Council until used or paid. The Council's approximate liability for earned vacation payments at December

(4) Compensated Absences - Continued

31, 2009 was $415. This liability has been computed based on rates of pay in effect at December 31, 2009.

(5) Risk Management

The Council is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 577 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The Council's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The Council's contributions to the Pool for the year ended December 31, 2009 were $5,965.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional and public officials' liability risks up to $350,000 per claim. Claims exceeding $350,000 are reinsured in an amount not to exceed $2,650,000 per claim and $10,000,000 in aggregate per year. For members requiring specific coverage from $3,000,000 to $10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to $100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

(5) Risk Management – continued

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of December 31, 2009, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The Council also carries commercial insurance purchased from other insurers for coverage associated with Workers Compensation Insurance. The Council assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(6) Major Customer

A material part of the Council's business is dependent upon a customer, the loss of which would have a materially adverse effect on the Council. During the year ended December 31, 2009, the customer accounted for approximately 59% of revenues.

(7) Major Supplier

The Council has one major vendor which supplies the landfill for solid waste disposal.

(8) Landfill Contract

On July 27, 2006, the Council approved a contract for sanitary landfill services at the Northern Plains Regional Landfill with the City of Spencer, Iowa (the Operator) for the period of January 2, 2007 through June 30, 2011. Under the contract, the Operator is to maintain and operate the landfill site in substantial compliance with all applicable laws, rules and regulations. The Operator is to furnish all labor, tools and equipment necessary for the operation of the landfill. The Council, as part of the contract, agrees to not utilize the services of any other landfill sanitary disposal project during the term of the Agreement. The contract stipulates a charge per ton of $24.52 for each ton of solid

(8) Landfill Contract - Continued

waste the Council delivers to the landfill. The per ton fee shall be increased 3% on January 1 of each year during the term of the agreement.

On September 25, 2009, the Council approved an amendment to the contract for sanitary landfill services from the Operator. Effective on January 1, 2009, the charge per ton increased to $35.50. The adjusted per ton fee shall increase to $41.00 as of January 1, 2010 and to $46.50 as of January 1, 2011.

(9) Closure Costs

To comply with state regulations, the Council is required to complete a closure plan detailing how the transfer station will comply with proper disposal of all solid waste and litter at the site, cleaning the transfer station building, including the rinsing of all surfaces that have come in contact with solid waste or washwater, cleaning of all solid waste transport vehicles that will remain on site, including the rinsing of all surfaces that have come in contact with solid waste, and the removal and proper management of all washwater in the washwater management system.

To comply with state regulations, the Council is required to maintain a closure account as financial assurance for the closure care costs. The effect of the state requirement is to commit landfill owners to perform certain closing functions as a condition for the right to operate the transfer station in the current period.

The total closure care costs for the Council as of December 31, 2009 have been estimated at $3,680. The balance has been restricted and is fully funded at December 31, 2009.

(10) Litigation

The Council was named as a defendant in pending litigation seeking an unknown amount of damages. The Council forwarded the claim on to their insurance carrier. The Council feels that the claim holds no merit. The probability of loss, if any, is undeterminable.

(11) Other Postemployment Benefits (OPEB)

The Council implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions during the year ended December 31, 2009.

Plan Description – The Council operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees. There are 2 active and 0 retired members in the plan. Participants must be age 55 or older at retirement.

(11) Other Postemployment Benefits (OPEB) - Continued

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the Council. The Council currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the Council and plan members are $972 for single coverage. The same monthly premiums apply to retirees. For the year ended December 31, 2009, the Council contributed $20,815 and plan members eligible for benefits contributed $0 to the plan.

Independent Auditors' Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of a Financial Statement Performed in
Accordance with Government Auditing Standards

Emmet County Council of Governments

Brinkman &
Reed, CPA's

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Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of a Financial Statement Performed in Accordance with Government Auditing Standards

To the Members of
Emmet County Council of Governments:

We have audited the accompanying financial statement of the Emmet County Council of Governments as of and for the year ended December 31, 2009, and have issued our report thereon dated August 20, 2010. Our report expressed an unqualified opinion on the financial statement which was prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Emmet County Council of Governments' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing our opinion on the effectiveness of Emmet County Council of Governments' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Emmet County Council of Governments' internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

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A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Emmet County Council of Governments' ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of Emmet County Council of Governments' financial statement that is more than inconsequential will not be prevented or detected by Emmet County Council of Governments' internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statement will not be prevented or detected by Emmet County Council of Governments' internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to material weaknesses. However, we believe the significant deficiencies described above are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Emmet County Council of Governments' financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Council's operations for the year ended December 31, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statement of the Council. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Emmet County Council of Governments' written responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Council's responses, we did not audit Emmet County Council of Governments' responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the members and customers of the Emmet County Council of Governments and other parties to whom the Council may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Emmet County Council of Governments during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Brinkman & Reed, CPA's

BRINKMAN & REED, CPA's

August 20, 2010

EMMET COUNTY COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS
YEAR ENDED DECEMBER 31, 2009

Part I: Summary of the Independent Auditors' Results:

(a) An unqualified opinion was issued on the financial statement which was prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

(b) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements, including a material weakness.

(c) The audit did not disclose any non-compliance which is material to the financial statement.

EMMET COUNTY COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS
YEAR ENDED DECEMBER 31, 2009

Part II: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

II-A-08 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One person has primary control over charge accounts, including billing, posting transactions to accounts receivable and reconciling payments to receivable records.

Recommendation - We realize that segregation of duties is difficult with a limited number of office employees. However, the Council should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will consider this.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

Part III: Other Findings Related to Required Statutory Reporting:

III-A-08 Questionable Disbursements - No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

III-B-08 Travel Expense - No disbursements of Council money for travel expenses of spouses of Council officials or employees were noted.

III-C-08 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not. However, the schedules of bills allowed and gross salaries, were not published as required by Chapter 28E.6(3) of the Code of Iowa.

Recommendation – The Council should include a schedule of bills allowed in the minutes that are published and include gross salaries annually as required.

Response – We will consider this.

Conclusion – Response acknowledged.

Part III: Other Findings Related to Required Statutory Reporting – continued:

III-D-08 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa were noted.

III-E-08 Financial Assurance – The Council has elected to demonstrate financial assurance for closure care by establishing a local government dedicated fund as provided in Chapter 567-113.14(6) of the Iowa Administrative Code (IAC). The calculation is made as follows:

	Closure
Total estimated costs for closure care	$ 3,680
Balance of funds held in the local government dedicated fund at December 31, 2009	$ 4,000
Amount Council has restricted for closure care at December 31, 2009	$ 4,000