

EAST CENTRAL IOWA
COUNCIL OF GOVERNMENTS

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

YEARS ENDED JUNE 30, 2011, 2010 and 2009

- Prepared By -

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EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>County</u>	<u>Term Expires</u>
Bill Daily	Member	Benton	12-31-11
Kathleen VanSteenhuyse	Member	Benton	12-31-12
David Vermedahl	Member	Benton	12-31-13
Kevin Heitshusen	Member	Iowa	12-31-12
Vicki Pope	Member	Iowa	12-31-12
Sandra Cronbaugh	Member	Iowa	12-31-13
Tom Gill	Member	Johnson	12-31-11
Sally Stutsman	Member	Johnson	12-31-12
Kent Ackerson	Member	Johnson	12-31-13
Rick Jedlicka	Member	Johnson	12-31-13
Vacant	Member	Jones	12-31-11
Leo Cook	Chairperson	Jones	12-31-11
Alan Johnson	Member	Jones	12-31-12
Don Gray	Member	Linn	12-31-11
Linda Langston	Vice-Chairperson	Linn	12-31-11
Lu Barron	Member	Linn	12-31-12
Ann Hearn	Member	Linn	12-31-13
Ben Rogers	Member	Linn	12-31-13
Adam Mangold	Member	Washington	12-31-11
Vacant	Member	Washington	12-31-13
Ed Raber	Secretary/Treasurer	Washington	12-31-12



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
East Central Iowa Council of Governments
Cedar Rapids, IA 52401

I have audited the accompanying financial statements, listed as exhibits in the table of contents of this report, of the East Central Iowa Council of Governments (ECICOG) as of and for the years ended June 30, 2011, 2010 and 2009. These financial statements are the responsibility of ECICOG's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ECICOG as of June 30, 2011, 2010 and 2009, and the respective changes in financial position and cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated November 15, 2011 on my consideration of ECICOG's internal control over financial reporting and my 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 my testing of internal 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 my audit.

Management's Discussion and Analysis on pages 4 through 6 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements taken as a whole. Other supplementary information included in Schedules 1 and 2, including the Schedule of Expenses of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Larry Pump".

November 15, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

East Central Iowa Council of Governments (ECICOG) provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. I encourage readers to consider this information in conjunction with ECICOG's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- ECICOG's operating revenues decreased 13.6%, or \$1,405,126, from fiscal 2010 to fiscal 2011. Federal funds decreased \$374,912 in 2011 due to less flood grant funds.
- ECICOG's operating expenses decreased 1.8%, or \$157,573 in fiscal 2011 from fiscal 2010. The decrease in expenses is also due to less flood grants during the fiscal year.
- ECICOG's net assets increased 5.7%, or \$175,462, from June 30, 2010 to June 30, 2011.

USING THIS ANNUAL REPORT

The East Central Iowa Council of Governments is a 28E Organization and presents its financial statements using the economic resources measurement focus and accrual basis of accounting, which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis are intended to serve as an introduction to ECICOG's basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of ECICOG's financial activities.

The Statement of Net Assets presents information on ECICOG's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of ECICOG is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Assets is the basic statement of activities for proprietary funds. This statement presents information on operating revenues and expenses, non-operating revenues and expenses and whether ECICOG's financial position has improved or deteriorated as a result of the year's activities. ECICOG's financial position tends to be somewhat dynamic as the agency's programs can change from year to year, e.g., the number of vehicles purchased or the number of grants administered.

The Statement of Cash Flows presents the change in ECICOG's cash and cash equivalents during the year. This information can assist the use of the report in determining how ECICOG financed its activities and how it met its cash requirements.

Notes to the Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Supplementary Information provides detailed information about the grant activity. In addition, the Schedule of Expenses of Federal Awards provides details of various federal programs benefiting the Agency.

FINANCIAL ANALYSIS OF THE AGENCY

Statement of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of ECICOG's financial position. ECICOG's net assets for fiscal 2011 totaled approximately \$3,252,402. This compares to approximately \$3,076,940 at the end of fiscal 2010. A summary of ECICOG's net assets is presented below.

Net Assets		June 30,	
	2011	2010	
Current assets	\$ 1,810,750	\$1,672,889	
Non-current assets	1,187,476	993,711	
Capital assets at cost, less accumulated depreciation	1,365,074	1,530,420	
Total assets	<u>\$ 4,363,300</u>	<u>\$4,197,020</u>	
Current liabilities	<u>\$ 1,110,898</u>	<u>\$1,120,080</u>	
Net assets:			
Reserved	\$ 1,149,431	\$1,273,832	
Unreserved	<u>2,102,971</u>	<u>1,803,108</u>	
Total net assets	<u>\$ 3,252,402</u>	<u>\$3,076,940</u>	

Statement of Revenues, Expenses and Changes in Net Assets

Operating revenues are received from federal grants, state grants, and other local sources. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses and changes in net assets for the years ended June 30, 2011 and 2010 are presented below:

Changes in Net Assets		Year Ended June 30,	
	2011	2010	
Operating Revenues			
Grants	\$ 8,151,976	\$ 9,422,194	
Program reimbursements and other local sources	732,927	867,835	
Total operating revenues	<u>\$ 8,884,903</u>	<u>\$10,290,029</u>	
Operating Expenses	<u>8,744,577</u>	<u>8,902,150</u>	
Operating Income	<u>\$ 140,326</u>	<u>\$ 1,387,879</u>	
Non-operating revenues (expenses):			
Interest income	\$ 53,404	\$ 26,711	
Interest expense	(25,899)	(14,820)	
Gain on sale of fixed assets	7,631	14,660	
Net non-operating revenues (expenses)	<u>\$ 35,136</u>	<u>\$ 26,551</u>	
Changes in net assets	\$ 175,462	\$ 1,414,430	
Net assets beginning of year	<u>3,076,940</u>	<u>1,662,510</u>	
Net assets end of year	<u>\$ 3,252,402</u>	<u>\$ 3,076,940</u>	

The Statement of Revenues, Expenses and Changes in Net Assets reflects a positive year with an increase in the net assets at the end of the fiscal year.

- Net assets for the year increased \$175,462. This increase was due to federal and state funds received.
- ECICOG's operating expenses (without depreciation) were \$8,319,949 and operating revenues were \$8,884,903. With depreciation, the total expenses were \$8,744,577 and operating revenues remained at \$8,884,903.
- The Agency had decreased revenue in 2011 due to fewer programs for businesses and individuals impacted by the floods of 2008. Federal jumpstart funds were approximately \$6,351,119 for the fiscal year. The jumpstart funds are projected to decrease from fiscal year 2011 to fiscal year 2012. Federal capital assistance was \$233,746 for 2011. In 2010 Federal Capital assistance was \$707,965.

Statement of Cash Flows

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, capital and related financing and investing activities. Cash provided by the operating activities includes federal and state support, program reimbursements and other revenue, reduced by payments to employees and to suppliers. Cash used by capital and related financing activities includes principal payments and the purchase of capital assets. Cash provided by investing activities includes interest income.

CAPITAL ASSETS

At June 30, 2011, ECICOG had approximately \$1,365,074 invested in capital assets, net of accumulated depreciation of approximately \$2,619,265. Depreciation expense totaled \$424,628 for fiscal year 2011. More detailed information about ECICOG's capital assets is presented in Note 4 to the financial statements.

ECONOMIC FACTORS

The East Central Iowa Council of Government's Board of Directors (with input from local elected officials and citizens) considered various factors when setting the fiscal year 2012 budget and fees that will be charged for agency activities. ECICOG general operations are expected to remain consistent with the previous year, but could vary according to contracts received during the year.

CONTACTING ECICOG'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of ECICOG's finances and to show ECICOG's accountability for the money it receives. If you have questions about this report or need additional financial information, contact East Central Iowa Council of Governments, 700 16th Street NE, Cedar Rapids, Iowa 52402.

EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
STATEMENTS OF NET ASSETS
JUNE 30, 2011, 2010 and 2009

	<u>2011</u>	<u>2010</u>	<u>2009</u>
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 251,392	\$ 329,717	\$ 278,479
Prepaid expenses	7,986	8,430	5,865
Accounts receivable	1,217,467	1,164,166	249,269
Revolving loans receivable	333,905	170,576	-
Total current assets	<u>\$1,810,750</u>	<u>\$1,672,889</u>	<u>\$ 533,613</u>
Noncurrent assets:			
Prepaid software agreement	\$ -	\$ 23,382	\$ 174,889
Revolving loans receivable	1,187,476	970,329	-
Total noncurrent assets	<u>\$1,187,476</u>	<u>\$ 993,711</u>	<u>\$ 174,889</u>
Fixed assets:			
Furniture and equipment	\$ 59,535	\$ 54,070	\$ 54,070
Vehicles - unrestricted	643,984	648,909	718,866
Vehicles - restricted	3,238,196	3,111,174	3,021,543
Leasehold improvements	42,624	42,624	42,624
Total	<u>\$3,984,339</u>	<u>\$3,856,777</u>	<u>\$3,837,103</u>
Less accumulated depreciation	<u>(2,619,265)</u>	<u>(2,326,357)</u>	<u>(2,705,982)</u>
Net fixed assets	<u>\$1,365,074</u>	<u>\$1,530,420</u>	<u>\$1,131,121</u>
Total assets	<u>\$4,363,300</u>	<u>\$4,197,020</u>	<u>\$1,839,623</u>
LIABILITIES:			
Current liabilities:			
Trade accounts payable	\$ 586,492	\$ 2,969	\$ 62,220
Accrued benefits payable	26,556	27,066	17,258
Revolving loan	-	-	13,684
Line of credit	497,850	1,090,045	83,951
Total current liabilities	<u>\$1,110,898</u>	<u>\$1,120,080</u>	<u>\$ 177,113</u>
NET ASSETS:			
Reserved (Note 2)	\$1,149,431	\$1,273,832	\$ 871,562
Unreserved	<u>2,102,971</u>	<u>1,803,108</u>	<u>790,948</u>
Total net assets	<u>\$3,252,402</u>	<u>\$3,076,940</u>	<u>\$1,662,510</u>

See Notes to Financial Statements.

**EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSET
YEARS ENDED JUNE 30, 2011, 2010 and 2009**

	<u>2011</u>	<u>2010</u>	<u>2009</u>
OPERATING REVENUES:			
Federal funds	\$ 7,694,254	\$ 8,069,166	\$1,278,990
State funds	457,722	1,353,028	6,840,481
Local funds	732,927	867,835	655,268
Total operating revenues	<u>\$ 8,884,903</u>	<u>\$10,290,029</u>	<u>\$8,774,739</u>
OPERATING EXPENSES:			
Salaries and fringe benefits	\$ 1,019,393	\$ 1,030,294	\$ 843,192
Payroll taxes	69,382	71,393	52,237
Travel	41,957	35,940	46,853
Travel - professional development	6,245	9,551	5,297
Utilities	8,195	8,469	9,388
Pass-thru	6,437,552	6,130,083	7,002,079
Contracted services	532,950	923,342	10,480
Office expense	7,473	9,071	10,299
Printing and copying	8,185	7,404	3,205
Advertising	2,233	3,715	3,171
Dues and subscriptions	9,119	6,206	9,260
Rent	45,000	45,000	42,809
Education and training	6,767	5,612	6,798
Insurance	15,453	12,799	10,685
Repairs and maintenance	391	145	9,830
Legal and accounting	14,834	14,867	9,613
Special legal	1,039	68,014	57,354
Depreciation	424,628	415,053	353,154
Freight and postage	4,629	2,730	4,498
Summer library reading	2,478	4,973	1,777
JC-FHLB	80,212	25,398	50,729
Tama county swap	5,592	3,234	3,734
Mini-MRF project	-	271	-
ECI Housing Trust	870	-	-
Special ITS	-	-	346
Housing fund for Linn County	-	68,586	-
Total operating expenses	<u>\$ 8,744,577</u>	<u>\$ 8,902,150</u>	<u>\$8,546,788</u>
Operating Income	<u>\$ 140,326</u>	<u>\$ 1,387,879</u>	<u>\$ 227,951</u>
Non-operating revenues (expenses):			
Interest income	\$ 53,404	\$ 26,711	\$ 5,143
Interest expense	(25,899)	(14,820)	(474)
Gain on sale of fixed assets	7,631	14,660	6,061
Net non-operating revenues (expenses)	<u>\$ 35,136</u>	<u>\$ 26,551</u>	<u>\$ 10,730</u>
Change in net assets	\$ 175,462	\$ 1,414,430	\$ 238,681
Net assets beginning of year	<u>3,076,940</u>	<u>1,662,510</u>	<u>1,423,829</u>
Net assets end of year	<u>\$ 3,252,402</u>	<u>\$ 3,076,940</u>	<u>\$1,662,510</u>

See Notes to Financial Statements.

**EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2011, 2010 and 2009**

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:			
Cash received from local sources	\$ 743,524	\$ 916,131	\$ 627,006
Cash received from state operating grants	455,684	1,383,150	6,771,478
Cash received from federal operating grants	7,398,648	6,367,329	829,201
Cash paid for salaries and benefits	(1,019,903)	(1,020,486)	(840,924)
Cash paid for other suppliers of goods and services	<u>(6,719,106)</u>	<u>(7,395,617)</u>	<u>(7,179,838)</u>
Net cash provided by operating activities	<u>\$ 858,847</u>	<u>\$ 250,507</u>	<u>\$ 206,923</u>
Cash flows from noncapital financing activities:			
Cash received from line of credit	\$2,236,590	\$ 2,777,458	\$ 109,437
Cash used to repay line of credit	<u>(2,828,785)</u>	<u>(1,771,364)</u>	<u>(25,486)</u>
Net cash used for noncapital financing activities	<u>\$ (592,195)</u>	<u>\$ 1,006,094</u>	<u>\$ 83,951</u>
Cash flows from capital and related financing activities:			
Cash received from federal capital grants	\$ 233,746	\$ 708,522	\$ 384,351
Net acquisition of fixed assets	(259,282)	(814,351)	(479,948)
Cash received from asset sales	<u>7,631</u>	<u>14,660</u>	<u>6,061</u>
Net cash used for capital and related financing activities	<u>\$ (17,905)</u>	<u>\$ (91,169)</u>	<u>\$ (89,536)</u>
Cash flows from investing activities:			
Cash received for rehab note receivable	\$ -	\$ -	\$ 80
Cash paid for revolving loan funds	(602,000)	(1,229,912)	-
Cash received from revolving loan funds	221,524	89,007	-
Interest received	53,404	26,711	5,143
Net cash used in investing activities	<u>\$ (327,072)</u>	<u>\$ (1,114,194)</u>	<u>\$ 5,223</u>
Net increase (decrease) in cash	\$ (78,325)	\$ 51,238	\$ 206,561
Cash and cash equivalents beginning of year	<u>329,717</u>	<u>278,479</u>	<u>71,918</u>
Cash and cash equivalents end of year	<u>\$ 251,392</u>	<u>\$ 329,717</u>	<u>\$ 278,479</u>
Reconciliation of net transactions to net cash provided by operating activities:			
Net transactions	\$ 175,462	\$ 1,414,430	\$ 238,681
Adjustments for long-term non-cash items:			
Depreciation	424,628	415,053	353,154
Gain (loss) on sale of assets	7,631	14,660	6,061
Revenues and expenses not classified as operating	<u>(301,968)</u>	<u>(626,731)</u>	<u>(287,120)</u>
Change in assets and liabilities:			
(Increase) decrease in prepaid expenses	23,382	(2,565)	923
(Increase) decrease in accounts receivables	(53,301)	(914,897)	(162,703)
Increase (decrease) in accounts payable	583,523	(59,251)	55,659
Increase (decrease) in accrued benefits payable	<u>(510)</u>	<u>9,808</u>	<u>2,268</u>
Net cash provided by operating activities	<u>\$ 858,847</u>	<u>\$ 250,507</u>	<u>\$ 206,923</u>
Supplemental disclosure of cash flow information:			
Interest paid	<u>\$ 25,899</u>	<u>\$ 14,820</u>	<u>\$ 474</u>

See Notes to Financial Statements.

EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011, 2010 and 2009

(1) Organization

The East Central Iowa Council of Governments (ECICOG) is an Inter-Governmental Council, established in accordance with provisions of Chapter 28E of the State Code of Iowa (Inter-Governmental Cooperation Agreement). The area of jurisdiction is Region 10 which includes Benton, Iowa, Johnson, Jones, Linn and Washington counties. ECICOG's powers and duties are those authorized by Chapter 28H of the State of Iowa (Councils of Governments). ECICOG provides professional and technical services on a regional basis to maintain area-wide certification for state and federal grant and aid projects. It also provides planning advisory services and assistance in preparing special planning documents and applications to its members. ECICOG also provides transportation services to the elderly, disabled and rural areas through East Central Iowa Transit. In performing its duties, ECICOG may contract with and expend funds from federal, state, and local agencies, public or semi-public agencies and private individuals and Corporations.

Reporting Entity

For financial reporting purposes, ECICOG has considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with ECICOG are such that exclusion would cause ECICOG's financial statements 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 ECICOG 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 ECICOG. ECICOG has no component units which meet the Governmental Accounting Standards Board criteria.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

(b) Basis of Presentation

The accounts of ECICOG are organized as an Enterprise Fund. Enterprise Funds are used to account for operations (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011, 2010 and 2009

(2) Summary of Significant Accounting Policies - continued

(c) Measurement Focus and Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

ECICOG applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

ECICOG distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the ECICOG's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

(d) Assets, Liabilities and Net Assets

The following accounting policies are followed in preparing the statement of net assets:

Cash and Cash Equivalents - The cash balances are invested. For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than three months.

Capital Assets - Capital assets are accounted for at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against operations. The cost of repair and maintenance is charged to expense while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations.

Reportable capital assets are defined by ECICOG as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Furniture and Equipment	\$ 250
Vehicles	500
Leasehold Improvements	500

**EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011, 2010 and 2009**

(2) **Summary of Significant Accounting Policies** - continued

Capital assets of ECICOG are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful lives (In Years)</u>
Furniture and Equipment	7-10
Vehicles	5-7
Leasehold Improvements	10-15

Accrued Benefits Payable - Accrued benefits payable are paid time off and compensatory time and have been accrued as liabilities on the statement of net assets. These current liabilities have been computed based on rates of pay in effect at June 30, 2011.

Reserved Net Assets - Reserved net assets represents the portion of federal participation in the purchase of transit vehicles and related equipment. Subsequent disposition of assets purchased with federal funds are subject to certain restrictions.

(3) **Cash and Pooled Investments**

ECICOG's deposits in banks at June 30, 2011 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.

ECICOG 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 Board of Directors and the Treasurer of the State of Iowa; 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.

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

Interest rate risk - ECICOG's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of ECICOG.

**EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011, 2010 and 2009**

(4) Capital Assets

Capital assets activity for the year ended June 30, 2011 was as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Furniture and equipment	\$ 54,070	\$ 5,465	\$ -	\$ 59,535
Vehicles	3,760,083	253,817	131,720	3,882,180
Leasehold improvements	42,624	-	-	42,624
Total	<u>\$3,856,777</u>	<u>\$259,282</u>	<u>\$ 131,720</u>	<u>\$3,984,339</u>

Depreciation activity for the year ended June 30, 2011 was as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Furniture and equipment	\$ 41,389	\$ 7,536	\$ -	\$ 48,925
Vehicles	2,259,484	411,003	131,720	2,538,767
Leasehold improvements	25,484	6,089	-	31,573
Total	<u>\$2,326,357</u>	<u>\$424,628</u>	<u>\$ 131,720</u>	<u>\$2,619,265</u>

(5) Pension and Retirement Benefits

ECICOG 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 4.50% of their annual covered salary and ECICOG is required to contribute 6.95% of covered salary. Contribution requirements are established by state statute. ECICOG's contributions to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$57,905, \$55,694 and \$44,422, respectively, equal to the required contributions for each year.

(6) Other Postemployment Benefits (OPEB)

Plan Description - The Agency operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 16 active and no retired members in the plan. Participants must be age 55 or older at retirement.

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.

**EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011, 2010 and 2009**

(6) **Other Postemployment Benefits (OPEB)** - continued

Funding Policy - The contribution requirements of plan members are established and may be amended by the Agency. The Agency currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the Agency and plan members are \$587 for single coverage and \$1,478 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2011, the Agency contributed \$127,611 and plan members eligible for benefits contributed \$19,988 to the plan.

(7) **Operating Lease**

ECICOG leases its office space on an operating lease basis. The lease calls for lease payments as described below. In addition, ECICOG is responsible for any leasehold improvements. Total rental and lease expense for the year ended June 30, 2011 was \$45,000.

Future rental payments are as follows:

<u>Year ended June 30,</u>	<u>Amount</u>
2012	<u>\$ 26,250</u>

(8) **Short-Term Notes Payable - Line of Credit**

The Agency has an unsecured line of credit agreement with a bank which provides it may borrow up to \$500,000 at a variable rate of interest. The line of credit is used for the jumpstart program expenditures.

The Agency also has an unsecured line of credit agreement with Iowa Finance Authority which provides it may borrow up to \$1,000,000 at a variable rate of interest.

Line of credit activity for the year ended June 30, 2011 is as follows:

	<u>Balance Beginning of year</u>	<u>Advances Received</u>	<u>Advances Repaid</u>	<u>Balance End of Year</u>
Bank	\$ 496,930	\$1,858,620	\$1,857,700	\$ 497,850
IFA	593,115	377,970	971,085	-
Total	<u>\$1,090,045</u>	<u>\$2,236,590</u>	<u>\$2,828,785</u>	<u>\$ 497,850</u>

(9) **Risk Management**

The Agency 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 645 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.

**EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011, 2010 and 2009**

(9) **Risk Management** - continued

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 150 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 Agency'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 Agency's contributions to the Pool for the year ended June 30, 2011 were \$4,345.

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. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

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 June 30, 2011, 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.

EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011, 2010 and 2009

(9) Risk Management - continued

The Agency also carries commercial insurance purchased from other insurers for coverage associated with public employee dishonesty coverage and workers compensation coverage. The Agency 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.

EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
STATEMENT OF SELECTED PROJECT COSTS AND COMPUTATION OF SELECTED PROJECT GRANTS
YEAR ENDED JUNE 30, 2011

	STA Operating Assistance	Section 4 Capital 04-0113- 100-11	Section 18 Operating 18-0029- 100-11	Capital 86-0001- 100-09	ARRA Capital 86-0001- 100-10
Operating Expenditures:					
Contractual Services	\$ 365,563	\$ -	\$ 990,080	\$ -	\$ -
Capital Outlay	-	68,487	-	-	135,515
Prior Year	-	-	-	680,675	-
Project Cost	<u>\$ 365,563</u>	<u>\$ 68,487</u>	<u>\$ 990,080</u>	<u>\$680,675</u>	<u>\$ 135,515</u>
Grant Participation in Project Cost	100%	83%	50%	100%	100%
Percentage Participation	<u>\$ 365,563</u>	<u>\$ 56,844</u>	<u>\$ 495,040</u>	<u>\$680,675</u>	<u>\$ 135,515</u>
Contract Amount	<u>\$ 379,539</u>	<u>\$ 79,001</u>	<u>\$ 495,040</u>	<u>\$767,000</u>	<u>\$ 157,100</u>
Permissible Grant (Lesser of Contract Amount or Percentage Participation)	\$ 365,563	\$ 56,844	\$ 495,040	\$680,675	\$ 135,515
Less: Grant Payments received in current year	(365,563)	(56,844)	(495,040)	(1,700)	(135,515)
Less: Grant Payments received in prior year	-	-	-	(678,975)	-
Grant Receivable/(Payable) at June 30, 2011	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(continued)

ARRA Capital 86-0001- 100-10	Capital 57-0002- 100-10	10RPA-R10	11RPA-R10	Homeland Security DR-1688- 0028-00	EDA 05-83- 04479	EDA 05-88- 04743	EDA 05-69- 04682
\$ -	\$ -	\$ -	\$ 140,544	\$ 2,612	\$150,818	\$ 59,456	\$ 41,941
50,818	-	-	-	-	-	-	-
-	25,814	122,268	-	26,281	86,862	74,310	258,059
<u>\$ 50,818</u>	<u>\$ 25,814</u>	<u>\$122,268</u>	<u>\$ 140,544</u>	<u>\$ 28,893</u>	<u>\$237,680</u>	<u>\$133,766</u>	<u>\$300,000</u>
100%	80%	80%	80%	100%	50%	50%	100%
<u>\$ 50,818</u>	<u>\$ 20,651</u>	<u>\$ 97,814</u>	<u>\$ 112,435</u>	<u>\$ 28,893</u>	<u>\$118,840</u>	<u>\$ 66,883</u>	<u>\$300,000</u>
<u>\$ 50,818</u>	<u>\$ 55,472</u>	<u>\$120,974</u>	<u>\$ 126,208</u>	<u>\$ 34,500</u>	<u>\$118,840</u>	<u>\$ 96,607</u>	<u>\$300,000</u>
\$ 50,818	\$ 20,651	\$ 97,814	\$ 112,435	\$ 28,893	\$118,840	\$ 66,883	\$300,000
(50,818)	(6,479)	(27,793)	(71,379)	-	(60,932)	(29,728)	(41,941)
-	(14,172)	(70,021)	-	(25,048)	(57,908)	(37,155)	(258,059)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,056</u>	<u>\$ 3,845</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
 STATEMENT OF SELECTED PROJECT COSTS AND COMPUTATION OF SELECTED PROJECT GRANTS
 YEAR ENDED JUNE 30, 2011

	<u>EDA 05-79- 04694</u>	<u>CDBG 08-DRH 005</u>	<u>CDBG 08-DRH 205</u>	<u>CDBG 08-DRB- 210</u>
Operating Expenditures:				
Contractual Services	\$ 515,000	\$1,344,706	\$1,174,216	\$3,818,614
Capital Outlay	-	-	-	-
Prior Year	<u>1,229,912</u>	<u>3,560,340</u>	<u>345,824</u>	<u>1,489,833</u>
Project Cost	<u>\$1,744,912</u>	<u>\$4,905,046</u>	<u>\$1,520,040</u>	<u>\$5,308,447</u>
Grant Participation in Project Cost	<u>86%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>
Percentage Participation	<u>\$1,500,000</u>	<u>\$4,905,046</u>	<u>\$1,520,040</u>	<u>\$5,308,447</u>
Contract Amount	<u>\$1,500,000</u>	<u>\$6,730,775</u>	<u>\$2,412,661</u>	<u>\$7,000,000</u>
Permissible Grant (Lesser of Contract Amount or Percentage Participation)	\$1,500,000	\$4,905,046	\$1,520,040	\$5,308,447
Less: Grant Payments received in current year	(346,958)	(2,310,854)	(739,184)	(3,235,832)
Less: Grant Payments received in prior year	<u>(1,153,042)</u>	<u>(2,592,814)</u>	<u>(250,053)</u>	<u>(1,489,833)</u>
Grant Receivable/(Payable) at June 30, 2011	<u>\$ -</u>	<u>\$ 1,378</u>	<u>\$ 530,803</u>	<u>\$ 582,782</u>

See Accompanying Independent Auditor's Report.

Total

\$ 8,603,550
254,820
7,900,178
\$16,758,548

\$15,763,504

\$20,424,435

\$15,763,504

(7,976,560)

(6,627,080)

\$ 1,159,864

**EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENSES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011**

<u>GRANTOR/PROGRAM</u>	<u>CFDA NUMBER</u>	<u>AGENCY PASS-THROUGH NUMBER</u>
Direct:		
Department of Commerce:		
Economic Development Administration:		
Planning Grant	11.302	05-88-04743 05-83-04479
Economic Adjustment Assistance	11.307	05-69-04682 05-79-04694
Total Direct Awards		
Indirect:		
Department of Housing and Urban Development:		
Iowa Department of Economic Development:		
Linn County:		
Community Development Block Grant Program	14.228	08-DRH-005 08-DRH-205 08-DRB-210
Department of Transportation:		
Iowa Department of Transportation:		
Highway Planning and Construction	20.205	11-RPA10
Capital Investment Assistance Project	20.500	04-0113-100-11
Formula Grants for other than Urbanized Areas	20.509	18-0029-100-11 11-RPA10
ARRA - Formula Grants for other than Urbanized Areas	20.509	86-0001-100-10 86-0001-100-11
Department of Homeland Security:		
Iowa Homeland Security:		
Hazardous Mitigation Grant	97.039	FEMA-1688-DR-IA
Total Indirect Awards		
Total		

See Accompanying Independent Auditor's Report.

**PROGRAM
EXPENSES**

\$ 29,728
 75,409
\$ 105,137

\$ 41,941
 346,957
\$ 388,898

\$ 494,035

\$1,344,706
 1,174,216
 3,818,614
\$6,337,536

\$ 80,046

\$ 56,844

\$ 495,040
 32,389
\$ 527,429

\$ 135,515
 50,818
\$ 186,333

\$ 2,613

\$7,190,801

\$7,684,836



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
East Central Iowa Council of Governments:

I have audited the basic financial statements of the East Central Iowa Council of Governments (ECICOG) as of and for the years ended June 30, 2011, 2010 and 2009 and have issued my report thereon dated November 15, 2011. I conducted my 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 my audit, I considered ECICOG's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of ECICOG's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of ECICOG's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, I identified deficiencies in internal control over financial reporting that I consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a 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 material weakness is a deficiency, or combination of deficiencies in internal control such that there is a reasonable possibility a material misstatement of ECICOG's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiencies described in Part II of the accompanying Schedule of Findings as items II-A-11 and II-B-11 to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. There are no deficiencies described in the accompanying Schedule of Findings that I consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether ECICOG's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about ECICOG's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of ECICOG. Since my 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

ECICOG's responses to findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions on ECICOG's responses, I did not audit ECICOG's responses and, accordingly, I express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the East Central Iowa Council of Governments officials, employees and other parties to whom the Agency may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to us by personnel of ECICOG during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.



November 15, 2011



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133

To the Board of Directors
East Central Iowa Council of Governments:

Compliance

I have audited East Central Iowa Council of Governments (ECICOG)'s compliance with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on ECICOG's major federal programs for the year ended June 30, 2011. ECICOG's major federal programs are identified in Part I of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal programs are the responsibility of ECICOG's management. My responsibility is to express an opinion on ECICOG's compliance based on my audit.

I conducted my audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about ECICOG's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on ECICOG's compliance with those requirements.

In my opinion, ECICOG complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of ECICOG is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing my audit, I considered ECICOG's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of ECICOG's internal control over compliance.

My consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, I identified a deficiency in internal control over compliance that I consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. I consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings as item III-A-11 to be a material weakness.

ECICOG's response to the finding identified in my audit is described in the accompanying Schedule of Findings. While I have expressed my conclusion on ECICOG's response, I did not audit ECICOG's response and, accordingly, I express no opinion on it.

This report, a public record by law, is intended solely for the information and use of the officials, employees and members of ECICOG and other parties to whom ECICOG may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



November 15, 2011

EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
Schedule of Findings
Year Ended June 30, 2011

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over the major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were CFDA Number 11.307 - Economic Adjustment Assistance, 14.228 - Community Development Block Grants and CFDA Number 20.509 - Non-Urban Assistance Project.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) ECICOG did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-11 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. The cash revenues and expenditures are all done by the same individual.

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

Response - We will review procedures and make changes to improve internal control where possible.

Conclusion - Response acknowledged. ECICOG should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
Schedule of Findings
Year Ended June 30, 2011

Part II: Findings Related to the Financial Statements: - continued

II-B-11 Preparation of Financial Statements - The Agency does not have an internal control system designed to provide for the preparation of the financial statements in accordance with U.S. generally accepted accounting principles, nor has management identified risks related to the preparation of reliable financial statements and as a result has failed to design effective controls over the preparation of the financial statements to prevent or detect material misstatements. Therefore, as an auditor, I was requested to draft the financial statements and accompanying notes to the financial statements. This circumstance is not unusual for a governmental entity similar in size to the Agency. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Recommendation - I recognize that with a limited number of office employees, preparation of the financial statements is difficult. However, I recommend that Agency officials continue reviewing operating procedures in order to obtain the maximum internal control possible under the circumstances.

Response - The Agency will continue to review and monitor procedures currently in place and evaluate the risks to be accepted in preparation of the financial statements.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

CFDA Number 11.307: Economic Adjustment Assistance
Federal Award Year: 2011
U.S. Department of Commerce

CFDA Number 14.228: Community Development Block Grants
Federal Award Year: 2011
U.S. Department of Housing and Urban Development
Passed through the Iowa Department of Economic Development and Linn County

CFDA Number 20.509: Non-Urban Assistance Project
Federal Award Year: 2011
U.S. Department of Transportation
Passed through the Iowa Department of Transportation

EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
Schedule of Findings
Year Ended June 30, 2011

Part III: Findings and Questioned Costs for Federal Awards: - continued

III-A-11 The Agency did not properly segregate custody, recordkeeping and reconciling functions for revenues and expenditures, including those related to Federal Programs. See audit finding II-A-11.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-11 Questionable Expenses - No expenses I believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-B-11 Travel Expense - No expenses of ECICOG money for travel expenses of spouses of ECICOG officials or employees were noted.

IV-C-11 Business Transactions - No business transactions between ECICOG and ECICOG officials or employees were noted.

IV-D-11 Bond Coverage - Surety bond coverage of ECICOG officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-E-11 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and ECICOG's investment policy were noted.

IV-F-11 Board Minutes - No transactions were found that I believe should have been approved in the Board minutes but were not.