

EAST CENTRAL IOWA  
COUNCIL OF GOVERNMENTS

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

YEARS ENDED JUNE 30, 2012, 2011 and 2010

- 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	12-31-14
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 Salm	Member	Johnson	12-31-12
Chris Ball	Member	Johnson	12-31-12
Kent Ackerson	Member	Johnson	12-31-12
Jim Throgmorton	Member	Johnson	12-31-12
Dusty Embree	Member	Jones	12-31-12
Leo Cook	Member	Jones	12-31-14
Alan Johnson	Member	Jones	12-31-12
Don Gray	Member	Linn	12-31-14
Linda Langston	Chairperson	Linn	12-31-14
Lu Barron	Member	Linn	12-31-12
Darrin Gage	Secretary/Treasurer	Linn	12-31-13
Ben Rogers	Member	Linn	12-31-13
Adam Mangold	Member	Washington	12-31-14
Brent Hinson	Member	Washington	12-31-13
Ed Raber	Vice-Chairperson	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, 2012, 2011 and 2010. 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, 2012, 2011 and 2010, 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, 2012 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.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise ECICOG's financial statements. The 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in my audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In my opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise ECICOG's basic financial statements. Management's Discussion and Analysis on pages 4 through 6 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, I do not express an opinion or provide any assurance on it.

A handwritten signature in black ink, appearing to read "Larry Pumph". The signature is written in a cursive, flowing style.

November 15, 2012

## 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, 2012. I encourage readers to consider this information in conjunction with ECICOG's financial statements, which follow.

### **FINANCIAL HIGHLIGHTS**

- ECICOG's operating revenues increased 20%, or \$1,750,354, from fiscal 2011 to fiscal 2012. Federal funds increased \$1,416,291 in 2012 due to CDBG grant funds.
- ECICOG's operating expenses increased 18%, or \$1,613,593 in fiscal 2012 from fiscal 2011. The increase in expenses is also due to CDBG grants during the fiscal year.
- ECICOG's net assets increased 10%, or \$320,919, from June 30, 2011 to June 30, 2012.

### **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 2012 totaled approximately \$3,573,321. This compares to approximately \$3,252,402 at the end of fiscal 2011. A summary of ECICOG's net assets is presented below.

Net Assets		June 30,	
	2012	2011	
Current assets	\$ 2,335,986	\$ 1,810,750	
Non-current assets	1,190,424	1,187,476	
Capital assets at cost, less accumulated depreciation	<u>1,160,821</u>	<u>1,365,074</u>	
Total assets	<u>\$ 4,687,231</u>	<u>\$ 4,363,300</u>	
Current liabilities	<u>\$ 1,113,910</u>	<u>\$ 1,110,898</u>	
Net assets:			
Reserved	\$ 925,719	\$ 1,149,431	
Unreserved	<u>2,647,602</u>	<u>2,102,971</u>	
Total net assets	<u>\$ 3,573,321</u>	<u>\$ 3,252,402</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, 2012 and 2011 is presented below:

Changes in Net Assets		Year Ended June 30,	
	2012	2011	
Operating Revenues			
Grants	\$ 9,605,121	\$ 8,151,976	
Program reimbursements and other local sources	<u>1,030,136</u>	<u>732,927</u>	
Total operating revenues	<u>\$10,635,257</u>	<u>\$ 8,884,903</u>	
Operating Expenses	<u>10,358,170</u>	<u>8,744,577</u>	
Operating Income	<u>\$ 277,087</u>	<u>\$ 140,326</u>	
Non-operating revenues (expenses):			
Interest income	\$ 56,301	\$ 53,404	
Interest expense	(14,374)	(25,899)	
Gain on sale of fixed assets	<u>1,905</u>	<u>7,631</u>	
Net non-operating revenues (expenses)	<u>\$ 43,832</u>	<u>\$ 35,136</u>	
Changes in net assets	\$ 320,919	\$ 175,462	
Net assets beginning of year	<u>3,252,402</u>	<u>3,076,940</u>	
Net assets end of year	<u>\$ 3,573,321</u>	<u>\$ 3,252,402</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 \$320,919. This increase was due to federal and state funds received.
- ECICOG's operating expenses (without depreciation) were \$9,873,484 and operating revenues were \$10,635,257. With depreciation, the total expenses were \$10,358,170 and operating revenues remained at \$10,635,257.
- The Agency had increased revenue in 2012 due to more programs for businesses and individuals impacted by the floods of 2008. Federal jumpstart funds were approximately \$7,956,836 for the fiscal year. The jumpstart funds are projected to decrease from fiscal year 2012 to fiscal year 2013. Federal capital assistance was \$178,233 for 2012. In 2011 Federal Capital assistance was \$233,746.

#### *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, 2012, ECICOG had approximately \$1,160,821 invested in capital assets, net of accumulated depreciation of approximately \$3,017,620. Depreciation expense totaled \$484,686 for fiscal year 2012. 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 2013 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 16<sup>th</sup> Street NE, Cedar Rapids, Iowa 52402.

**EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS**  
**STATEMENTS OF NET ASSETS**  
**JUNE 30, 2012, 2011 and 2010**

	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>ASSETS:</b>			
Current assets:			
Cash and cash equivalents	\$ 697,835	\$ 251,392	\$ 329,717
Prepaid expenses	14,679	7,986	8,430
Accounts receivable	1,309,760	1,217,467	1,164,166
Revolving loans receivable	313,712	333,905	170,576
Total current assets	<u>\$2,335,986</u>	<u>\$1,810,750</u>	<u>\$1,672,889</u>
Noncurrent assets:			
Prepaid software agreement	\$ -	\$ -	\$ 23,382
Revolving loans receivable	1,190,424	1,187,476	970,329
Total noncurrent assets	<u>\$1,190,424</u>	<u>\$1,187,476</u>	<u>\$ 993,711</u>
Fixed assets:			
Furniture and equipment	\$ 69,092	\$ 59,535	\$ 54,070
Vehicles - unrestricted	723,139	643,984	648,909
Vehicles - restricted	3,343,586	3,238,196	3,111,174
Leasehold improvements	42,624	42,624	42,624
Total	<u>\$4,178,441</u>	<u>\$3,984,339</u>	<u>\$3,856,777</u>
Less accumulated depreciation	<u>(3,017,620)</u>	<u>(2,619,265)</u>	<u>(2,326,357)</u>
Net fixed assets	<u>\$1,160,821</u>	<u>\$1,365,074</u>	<u>\$1,530,420</u>
<b>Total assets</b>	<b><u>\$4,687,231</u></b>	<b><u>\$4,363,300</u></b>	<b><u>\$4,197,020</u></b>
<b>LIABILITIES:</b>			
Current liabilities:			
Trade accounts payable	\$1,093,759	\$ 586,492	\$ 2,969
Accrued benefits payable	20,151	26,556	27,066
Line of credit	-	497,850	1,090,045
Total current liabilities	<u>\$1,113,910</u>	<u>\$1,110,898</u>	<u>\$1,120,080</u>
<b>NET ASSETS:</b>			
Reserved (Note 2)	\$ 925,719	\$1,149,431	\$1,273,832
Unreserved	<u>2,647,602</u>	<u>2,102,971</u>	<u>1,803,108</u>
<b>Total net assets</b>	<b><u>\$3,573,321</u></b>	<b><u>\$3,252,402</u></b>	<b><u>\$3,076,940</u></b>

*See Notes to Financial Statements.*

**EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS  
STATEMENTS OF REVENUES, EXPENSES, AND  
CHANGES IN NET ASSET  
YEARS ENDED JUNE 30, 2012, 2011 and 2010**

	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>OPERATING REVENUES:</b>			
Federal funds	\$ 9,110,545	\$ 7,694,254	\$ 8,069,166
State funds	494,576	457,722	1,353,028
Local funds	1,030,136	732,927	867,835
Total operating revenues	<u>\$10,635,257</u>	<u>\$ 8,884,903</u>	<u>\$10,290,029</u>
<b>OPERATING EXPENSES:</b>			
Salaries and fringe benefits	\$ 949,678	\$ 1,019,393	\$ 1,030,294
Payroll taxes	63,234	69,382	71,393
Travel	36,402	41,957	35,940
Travel - professional development	8,246	6,245	9,551
Utilities	7,866	8,195	8,469
Pass-thru	8,465,141	6,437,552	6,130,083
Contracted services	88,303	532,950	923,342
Office expense	4,842	7,473	9,071
Printing and copying	7,750	8,185	7,404
Advertising	1,933	2,233	3,715
Dues and subscriptions	11,628	9,119	6,206
Rent	45,000	45,000	45,000
Education and training	5,624	6,767	5,612
Insurance	16,447	15,453	12,799
Repairs and maintenance	215	391	145
Legal and accounting	14,167	14,834	14,867
Special legal	7,678	1,039	68,014
Depreciation	484,686	424,628	415,053
Freight and postage	3,129	4,629	2,730
Summer library reading	1,873	2,478	4,973
JC-FHLB	86,093	80,212	25,398
Tama county swap	16,775	5,592	3,234
Mini-MRF project	-	-	271
ECI Housing Trust	-	870	-
OEI grant	31,460	-	-
Housing fund for Linn County	-	-	68,586
Total operating expenses	<u>\$10,358,170</u>	<u>\$ 8,744,577</u>	<u>\$ 8,902,150</u>
Operating Income	<u>\$ 277,087</u>	<u>\$ 140,326</u>	<u>\$ 1,387,879</u>
Non-operating revenues (expenses):			
Interest income	\$ 56,301	\$ 53,404	\$ 26,711
Interest expense	(14,374)	(25,899)	(14,820)
Gain on sale of fixed assets	1,905	7,631	14,660
Net non-operating revenues (expenses)	<u>\$ 43,832</u>	<u>\$ 35,136</u>	<u>\$ 26,551</u>
Change in net assets	\$ 320,919	\$ 175,462	\$ 1,414,430
Net assets beginning of year	<u>3,252,402</u>	<u>3,076,940</u>	<u>1,662,510</u>
<b>Net assets end of year</b>	<b><u>\$ 3,573,321</u></b>	<b><u>\$ 3,252,402</u></b>	<b><u>\$ 3,076,940</u></b>

See Notes to Financial Statements.

**EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2012, 2011 and 2010**

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:			
Cash received from local sources	\$1,211,060	\$ 743,524	\$ 916,131
Cash received from state operating grants	499,945	455,684	1,383,150
Cash received from federal operating grants	8,840,959	7,398,648	6,367,329
Cash paid for salaries and benefits	(956,083)	(1,019,903)	(1,020,486)
Cash paid for other suppliers of goods and services	<u>(8,624,839)</u>	<u>(6,719,106)</u>	<u>(7,395,617)</u>
Net cash provided by operating activities	<u>\$ 971,042</u>	<u>\$ 858,847</u>	<u>\$ 250,507</u>
Cash flows from noncapital financing activities:			
Cash received from line of credit	\$1,815,200	\$2,236,590	\$ 2,777,458
Cash used to repay line of credit	<u>(2,313,050)</u>	<u>(2,828,785)</u>	<u>(1,771,364)</u>
Net cash used for noncapital financing activities	<u>\$ (497,850)</u>	<u>\$ (592,195)</u>	<u>\$ 1,006,094</u>
Cash flows from capital and related financing activities:			
Cash received from federal capital grants	\$ 178,233	\$ 233,746	\$ 708,522
Net acquisition of fixed assets	(280,433)	(259,282)	(814,351)
Cash received from asset sales	<u>1,905</u>	<u>7,631</u>	<u>14,660</u>
Net cash used for capital and related financing activities	<u>\$ (100,295)</u>	<u>\$ (17,905)</u>	<u>\$ (91,169)</u>
Cash flows from investing activities:			
Cash paid for revolving loan funds	\$ (272,000)	\$ (602,000)	\$(1,229,912)
Cash received from revolving loan funds	289,245	221,524	89,007
Interest received	<u>56,301</u>	<u>53,404</u>	<u>26,711</u>
Net cash used in investing activities	<u>\$ 73,546</u>	<u>\$ (327,072)</u>	<u>\$ (1,114,194)</u>
Net increase (decrease) in cash	\$ 446,443	\$ (78,325)	\$ 51,238
Cash and cash equivalents beginning of year	<u>251,392</u>	<u>329,717</u>	<u>278,479</u>
<b>Cash and cash equivalents end of year</b>	<b><u>\$ 697,835</u></b>	<b><u>\$ 251,392</u></b>	<b><u>\$ 329,717</u></b>
<b>Reconciliation of net transactions to net cash provided by operating activities:</b>			
Net transactions	\$ 320,919	\$ 175,462	\$ 1,414,430
Adjustments for long-term non-cash items:			
Depreciation	484,686	424,628	415,053
Gain (loss) on sale of assets	1,905	7,631	14,660
Revenues and expenses not classified as operating	<u>(238,344)</u>	<u>(301,968)</u>	<u>(626,731)</u>
Change in assets and liabilities:			
(Increase) decrease in prepaid expenses	(6,693)	23,382	(2,565)
(Increase) decrease in accounts receivables	(92,293)	(53,301)	(914,897)
Increase (decrease) in accounts payable	507,267	583,523	(59,251)
Increase (decrease) in accrued benefits payable	<u>(6,405)</u>	<u>(510)</u>	<u>9,808</u>
<b>Net cash provided by operating activities</b>	<b><u>\$ 971,042</u></b>	<b><u>\$ 858,847</u></b>	<b><u>\$ 250,507</u></b>
Supplemental disclosure of cash flow information:			
Interest paid	<u>\$ 14,374</u>	<u>\$ 25,899</u>	<u>\$ 14,820</u>

*See Notes to Financial Statements.*

**EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012, 2011 and 2010**

**(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, 2012, 2011 and 2010

(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, 2012, 2011 and 2010**

**(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, 2012.

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 Investments**

ECICOG's deposits in banks at June 30, 2012 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, 2012, 2011 and 2010**

**(4) Capital Assets**

Capital assets activity for the year ended June 30, 2012 was as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Furniture and equipment	\$ 59,535	\$ 9,557	\$ -	\$ 69,092
Vehicles	3,882,180	270,876	86,331	4,066,725
Leasehold improvements	42,624	-	-	42,624
<b>Total</b>	<b><u>\$3,984,339</u></b>	<b><u>\$280,433</u></b>	<b><u>\$ 86,331</u></b>	<b><u>\$4,178,441</u></b>

Depreciation activity for the year ended June 30, 2012 was as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Furniture and equipment	\$ 48,925	\$ 7,703	\$ -	\$ 56,628
Vehicles	2,538,767	470,893	86,331	2,923,329
Leasehold improvements	31,573	6,090	-	37,663
<b>Total</b>	<b><u>\$2,619,265</u></b>	<b><u>\$484,686</u></b>	<b><u>\$ 86,331</u></b>	<b><u>\$ 3,017,620</u></b>

**(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 5.38% of their annual covered salary and ECICOG is required to contribute 8.07% of covered salary. Contribution requirements are established by state statute. ECICOG's contributions to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$62,321, \$57,905 and \$55,694, 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 15 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, 2012, 2011 and 2010**

**(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 \$543 for single coverage and \$1,368 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2012, the Agency contributed \$117,514 and plan members eligible for benefits contributed \$18,810 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, 2012 was \$45,000.

Future rental payments are as follows:

<u>Year ended June 30,</u>	<u>Amount</u>
2013	\$ 45,000
2014	26,250
	<u>\$ 71,250</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.

Line of credit activity for the year ended June 30, 2012 is as follows:

	<u>Balance Beginning of year</u>	<u>Advances Received</u>	<u>Advances Repaid</u>	<u>Balance End of Year</u>
Bank	<u>\$ 497,850</u>	<u>\$1,815,200</u>	<u>\$2,313,050</u>	<u>\$ -</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 663 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, 2012, 2011 and 2010

(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% 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, 2012 were \$4,088.

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, 2012, 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% 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, 2012, 2011 and 2010

(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, 2012

	STA Operating Assistance	Section 4 Capital 04-0117- 100-11	Section 18 Operating 18-0030- 100-12	Section 18 Non - Operating 85-X032- 100-11	ITS 26-X002- 100-12
Operating Expenditures:					
Contractual Services	\$ 374,929	\$ -	\$1,008,036	\$ -	\$ -
Capital Outlay	-	92,120	-	35,326	137,940
Prior Year	-	-	-	-	-
Project Cost	<u>\$ 374,929</u>	<u>\$ 92,120</u>	<u>\$1,008,036</u>	<u>\$ 35,326</u>	<u>\$ 137,940</u>
Grant Participation in Project Cost	100%	83%	50%	80%	50%
<b>Percentage Participation</b>	<b><u>\$ 374,929</u></b>	<b><u>\$ 78,950</u></b>	<b><u>\$ 504,018</u></b>	<b><u>\$ 28,261</u></b>	<b><u>\$ 68,970</u></b>
<b>Contract Amount</b>	<b><u>\$ 374,929</u></b>	<b><u>\$ 95,450</u></b>	<b><u>\$ 504,018</u></b>	<b><u>\$ 33,600</u></b>	<b><u>\$ 70,110</u></b>
Permissible Grant (Lesser of Contract Amount or Percentage Participation)	\$ 374,929	\$ 78,950	\$ 504,018	\$ 28,261	\$ 68,970
Less: Grant Payments received in current year	(374,929)	(78,950)	(504,018)	(28,261)	(68,970)
Less: Grant Payments received in prior year	-	-	-	-	-
<b>Grant Receivable/(Payable) at June 30, 2012</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>

(continued)

ITS 26-X002- 100-12	11RPA- R10	12RPA-R10	FEMA DR-1688- 0027-00	EDA 05-06- 05105	EDA 05-88- 04743	EDA 05-83- 05172	EDA 05-79- 04694
\$ - 4,104 -	\$ - - 140,544	\$145,640 - -	\$ - - 28,893	\$ 18,000 - -	\$ 59,448 - 133,766	\$128,040 - -	\$ 359,000 - 1,744,912
<u>\$ 4,104</u>	<u>\$140,544</u>	<u>\$145,640</u>	<u>\$ 28,893</u>	<u>\$ 18,000</u>	<u>\$193,214</u>	<u>\$128,040</u>	<u>\$2,103,912</u>
50%	80%	80%	100%	50%	50%	50%	83%
<u>\$ 2,052</u>	<u>\$112,435</u>	<u>\$116,512</u>	<u>\$ 28,893</u>	<u>\$ 9,000</u>	<u>\$ 96,607</u>	<u>\$ 64,020</u>	<u>\$1,755,000</u>
<u>\$ 2,200</u>	<u>\$126,208</u>	<u>\$148,009</u>	<u>\$ 34,500</u>	<u>\$ 20,320</u>	<u>\$ 96,607</u>	<u>\$ 62,000</u>	<u>\$2,000,000</u>
\$ 2,052	\$112,435	\$116,512	\$ 28,893	\$ 9,000	\$ 96,607	\$ 62,000	\$1,755,000
(2,052)	(41,056)	(91,728)	(3,845)	(4,500)	(29,724)	(62,000)	(208,125)
-	(71,379)	-	(25,048)	-	(66,883)	-	(1,500,000)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,784</u>	<u>\$ -</u>	<u>\$ 4,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,875</u>

EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS  
STATEMENT OF SELECTED PROJECT COSTS AND COMPUTATION OF SELECTED PROJECT GRANTS  
YEAR ENDED JUNE 30, 2012

	CDBG 08-DRH- 005	CDBG 08-DRH 205	CDBG 08-DRB 210	Total
Operating Expenditures:				
Contractual Services	\$ 86,676	\$4,415,287	\$ 3,454,873	\$10,049,929
Capital Outlay	-	-	-	269,490
Prior Year	4,905,046	1,520,040	5,308,447	13,781,648
Project Cost	<u>\$4,991,722</u>	<u>\$5,935,327</u>	<u>\$ 8,763,320</u>	<u>\$24,101,067</u>
Grant Participation in Project Cost	100%	100%	100%	
<b>Percentage Participation</b>	<b><u>\$4,991,722</u></b>	<b><u>\$5,935,327</u></b>	<b><u>\$ 8,763,320</u></b>	<b><u>\$22,930,016</u></b>
<b>Contract Amount</b>	<b><u>\$6,730,775</u></b>	<b><u>\$7,035,071</u></b>	<b><u>\$11,000,000</u></b>	<b><u>\$28,333,797</u></b>
Permissible Grant (Lesser of Contract Amount or Percentage Participation)	\$4,991,722	\$5,935,327	\$ 8,763,320	\$22,927,996
Less: Grant Payments received in current year	(81,426)	(4,892,153)	(2,922,384)	(9,394,121)
Less: Grant Payments received in prior year	<u>(4,904,446)</u>	<u>(989,237)</u>	<u>(4,725,665)</u>	<u>(12,282,658)</u>
<b>Grant Receivable/(Payable) at June 30, 2012</b>	<b><u>\$ 5,850</u></b>	<b><u>\$ 53,937</u></b>	<b><u>\$ 1,115,271</u></b>	<b><u>\$ 1,251,217</u></b>

*See Accompanying Independent Auditor's Report.*

EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS  
 SCHEDULE OF EXPENSES OF FEDERAL AWARDS  
 YEAR ENDED JUNE 30, 2012

<u>GRANTOR/PROGRAM</u>	<u>CFDA NUMBER</u>	<u>AGENCY PASS-THROUGH NUMBER</u>
<b>Direct:</b>		
Department of Commerce:		
Economic Development Administration:		
Planning Grant	11.302	05-88-04743 05-06-05105
Economic Adjustment Assistance	11.307	05-83-05172 05-79-04694
Total Direct Awards		
<b>Indirect:</b>		
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	12-RPA10
Capital Investment Assistance Project	20.500	04-0117-100-11
Formula Grants for other than Urbanized Areas	20.509	18-0030-100-12 12-RPA10 85-X032-100-11
ITS Research and Technology Project	20.514	26-X002-100-12
Total Indirect Awards		
<b>Total</b>		

*See Accompanying Independent Auditor's Report.*

**PROGRAM  
EXPENSES**

\$ 29,724  
 4,500  
\$ 34,224

\$ 62,000  
 359,000  
\$ 421,000

\$ 455,224

\$ 86,676  
 4,415,287  
 3,454,873  
\$7,956,836

\$ 86,089

\$ 78,950

\$ 504,018  
 30,423  
 28,261  
\$ 562,702

\$ 71,022

\$8,755,599

\$9,210,823



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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, 2012, 2011 and 2010 and have issued my report thereon dated November 15, 2012. 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

The management of ECICOG is responsible for establishing and maintaining effective 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 and correct 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-12 and II-B-12 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, 2012 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 the 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.

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

November 15, 2012



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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, 2012. 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 is 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, 2012.

Internal Control Over Compliance

The management of ECICOG is responsible for establishing and maintaining effective internal control over compliance with the 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 over compliance 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 a 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-12 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.

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

November 15, 2012

**EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS**  
**Schedule of Findings**  
**Year Ended June 30, 2012**

**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, CFDA Number 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-12      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 utilizing currently available staff, including elected officials.

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, 2012**

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

II-B-12      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: 2012  
U.S. Department of Commerce

CFDA Number 14.228: Community Development Block Grants  
Federal Award Year: 2012  
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: 2012  
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, 2012

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

III-A-12     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-12.

**Part IV: Other Findings Related to Required Statutory Reporting:**

IV-A-12     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-12     Travel Expense - No expenses of ECICOG money for travel expenses of spouses of ECICOG officials or employees were noted.

IV-C-12     Business Transactions - No business transactions between ECICOG and ECICOG officials or employees were noted.

IV-D-12     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-12     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-12     Board Minutes - No transactions were found that I believe should have been approved in the Board minutes but were not.