

FINANCIAL STATEMENTS

SOUTHERN IOWA COUNCIL OF  
GOVERNMENTS AND AFFILIATE  
CRESTON, IOWA

September 30, 2014

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**TED WILLETS**

CERTIFIED PUBLIC ACCOUNTANT

904 N. SUMNER - Box 128

CRESTON, IOWA 50801

641-782-5585

MEMBER OF  
IOWA SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS  
—  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Southern Iowa Council of Governments and  
Southern Iowa Development Group, Inc.  
Creston, Iowa 50801

I have audited the accompanying combined financial statements of Southern Iowa Council of Governments and affiliate, which comprise the combined statement of financial position as of September 30, 2014, and the related combined statements of activities and cash flows for the year then ended, and the related notes to financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

My responsibility is to express an opinion on these combined financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa; 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 combined financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

I believe that the audit evidence I have obtained is sufficient to provide a basis for my audit opinion.

#### **Opinion**

In my opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Southern Iowa Council of Governments and Southern Iowa Development Group, Inc. as of September 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.


#### **Other Matters**

##### **Other Information**

My audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The supplemental information identified in the table of contents pages 11 - 20, including the schedule of expenditures of federal awards as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for the purpose of additional analysis and is not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, I have also issued my report dated December 9, 2014 on my consideration of Southern Iowa Council of Governments and Southern Iowa Development Group, Inc.'s internal control over financial reporting and my tests of compliance with certain provisions of laws, regulations, contracts, and grants 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* in considering Southern Iowa Council of Governments and Southern Iowa Development Group, Inc.'s internal control over financial reporting and compliance.

  
Creston, Iowa  
December 9, 2014

SOUTHERN IOWA COUNCIL OF GOVERNMENTS AND AFFILIATE  
 COMBINED STATEMENT OF FINANCIAL POSITION  
 September 30, 2014

ASSETS

CURRENT ASSETS	
Cash	\$ 1,823,582
Accounts receivable	266,944
Grants receivable	15,857
Current portion of long term loans receivable	<u>149,876</u>
Total current assets	<u>2,256,259</u>
LONG TERM RECEIVABLE - RLF Loans (net of allowance of \$35,556)	912,597
Less current portion	<u>149,876</u>
Total long term receivable	<u>762,721</u>
PROPERTY AND EQUIPMENT - at cost	
Building and equipment	109,799
Less accumulated depreciation	<u>( 67,835)</u>
Total property and equipment	<u>41,964</u>
Total assets	<u>\$ 3,060,944</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Notes payable	\$ 9,168
Accounts payable	2,465
Accrued expenses	<u>40,065</u>
Total current liabilities	<u>51,698</u>
LONG TERM LIABILITIES	
Payable to EDSA	<u>31,228</u>
Total long term liabilities	<u>31,228</u>
Total liabilities	<u>82,926</u>
NET ASSETS	
Unrestricted	1,312,145
Temporarily restricted	<u>1,665,873</u>
Total net assets	<u>2,978,018</u>
Total liabilities and fund balances	<u>\$ 3,060,944</u>

The Notes to Financial Statements are an integral part of this statement.

SOUTHERN IOWA COUNCIL OF GOVERNMENTS AND AFFILIATE  
 COMBINED STATEMENT OF ACTIVITY  
 September 30, 2014

	Unrestricted	Temporarily Restricted	Total
<b>REVENUE AND SUPPORT:</b>			
Federal funds	\$ 111,272	\$ ---	\$ 111,272
State grants	2,821,907	---	2,821,907
Local funds	87,401	---	87,401
Interest income	38,290	---	38,290
Service income	358,641	---	358,641
Miscellaneous	67,116	---	67,116
Net assets released from Restrictions	<u>35,651</u>	( 35,651)	---
Total revenue and support	<u>3,520,278</u>	<u>( 35,651)</u>	<u>3,484,627</u>
<b>EXPENSES:</b>			
Salary	350,910	---	350,910
Employee fringe	73,505	---	73,505
Health insurance	27,261	---	27,261
Disaster Union County	2,622,571	---	2,622,571
Accounting/legal	15,160	---	15,160
Depreciation	9,896	---	9,896
Bad debts	1,412	---	1,412
Consumable supplies	7,166	---	7,166
Dues and subscriptions	3,096	---	3,096
Repairs and maintenance	1,705	---	1,705
Insurance	9,538	---	9,538
Miscellaneous	13,992	---	13,992
Postage	3,107	---	3,107
Printing and publicity	2,349	---	2,349
Utilities	7,405	---	7,405
Telephone	2,423	---	2,423
Interest	1,419	---	1,419
Housing rehab	134,372	---	134,372
Travel & Meetings	<u>5,753</u>	---	<u>5,753</u>
Total expenses	<u>3,293,040</u>	<u>---</u>	<u>3,293,040</u>
<b>EXCESS OF REVENUE AND SUPPORT OVER EXPENSES</b>	227,238	( 35,651)	191,587
<b>NET ASSETS - Beginning of year</b>	<u>1,084,907</u>	<u>1,701,524</u>	<u>2,786,431</u>
<b>NET ASSETS - End of year</b>	<u>\$ 1,312,145</u>	<u>\$1,665,873</u>	<u>\$ 2,978,018</u>

The Notes to Financial Statements are an integral part of this statement.

SOUTHERN IOWA COUNCIL OF GOVERNMENTS AND AFFILIATE  
 COMBINED STATEMENT OF CASH FLOWS  
 September 30, 2014

Operating activities:	
Excess of expenses over revenue and Support	\$ 191,587
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	9,896
(Increase) in accounts receivable	( 128,514)
Decrease in grants receivable	15,066
(Decrease) in allowance for doubtful notes	( 1,371)
(Decrease) in notes payable	( 27,300)
(Decrease) in accounts payable	( 6,140)
(Decrease) in accrued expenses	( 167)
Net cash provided by operating activities	<u>53,057</u>
Investing activities:	
RFL loans made	( 101,107)
RFL loans payments received	<u>431,950</u>
Net cash provided from in investing activities	<u>330,843</u>
Net increase in cash and cash equivalents	383,900
Cash and cash equivalents as of the beginning of year	<u>1,439,682</u>
Cash and cash equivalents as of end of year	<u>\$ 1,823,582</u>

Supplemental disclosures of cash flow information:

Cash paid for interest \$ 1,419

The Notes to Financial Statements are an integral part of this statement.

SOUTHERN IOWA COUNCIL OF GOVERNMENTS AND AFFILIATE  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2014

Note 1. Significant Accounting Policies

Entities:

The Southern Iowa Council of Governments is a public organization established by the former Iowa Code Chapter 473A and governed by 28H and 28I, and encompasses a multi-jurisdictional regional community; it is founded on, sustained by, and directly tied to local governments through local and state government laws, agreements, and other actions. As stated in the Iowa Code Chapter 28I, "The commission shall have the power and duty to make comprehensive studies and plans for the development of the area and which will eliminate planning duplication and promote economy and efficiency in the coordinated development of the area and the general welfare, convenience, safety, and prosperity of its people." The Southern Iowa Council of Governments serves the local governments and citizens in the counties of Adair, Adams, Clarke, Decatur, Madison, Ringgold, Taylor, and Union. The Agency is an organization exempt from income tax under Internal Revenue Code Section 170(c)(2).

The Southern Iowa Development Group, Inc. was organized June 22, 1987, and incorporated under the Iowa Nonprofit Corporation Act, Chapter 504 A of the Code of Iowa for the following purposes: 1) To further the economic development of the region comprised of the counties of Adair, Adams, Clarke, Decatur, Madison, Ringgold, Taylor, and Union, as well as the cities located therein. 2) To promote and assist the growth and development of business concerns, including small and medium sized business concerns in said area. 3) To stimulate business opportunities and development in said area as measured by increased employment, payrolls, business volume, and corresponding community benefits. The Southern Iowa Development Group, Inc. is an organization exempt from income tax under Internal Revenue Code Section 501(c)(3). It has been classified as an organization that is not a private foundation under Section 590(a)(2) of the Internal Revenue Code and qualifies for the 50% charitable contributions deduction for individual donors.

Combined Statements:

The accompanying financial statements present the combination of the financial statements of Southern Iowa Council of Governments and Southern Iowa Development Group, Inc. Accordingly, the combined financial statements include all of the assets, liabilities, revenue, support, expenses, and changes in financial position for the two corporations. All significant inter-company transactions and accounts have been eliminated.

The combined financial statements are presented because (1) the Board of Directors and management of the two corporations are the same, and (2) the Southern Iowa Development Group, Inc. is financially dependent on the Southern Iowa Council of Governments for its Revolving Loan funds.



SOUTHERN IOWA COUNCIL OF GOVERNMENTS AND AFFILIATE  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2014

Note 1. Significant Accounting Policies (continued)

Basis of reporting:

The financial statements of Southern Iowa Council of Governments and the affiliate have been prepared on the accrual basis. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the readers. All significant accounting policies are in accordance with accounting principles generally accepted in the United States of America.

At the end of the grant period, unearned grant funds that have been received are recorded as a liability to the grantor unless they can be carried over to the next fiscal year in which case they are carried as deferred revenue to be used for grant expenses in the future.

Revenues from administrative contracts which have not been closed are recognized according to the percentage of completion method. Recognition of unearned administrative contract revenues is deferred to be used for administrative contract expenses in the future. Fees which have been earned but not received are recorded as a receivable.

Local in-kind revenue and in-kind expenses represent the donation of goods and services to the Agency. These items are valued at cost, if known, or at estimated value. Goods and services include travel.

Financial Statements Presentation:

The Organizations report information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets consist of all resources over which the Organizations have discretionary control to use in carrying on the operations of the Organizations within the limitations of their charters and bylaws.

Temporarily restricted net assets are available for use but expendable only for purposes specified by the grantor. Temporarily restricted net assets are reported as increases in unrestricted net assets if the restrictions have expired or the purposes for which they were received have occurred in the reporting period.

Permanently restricted assets are assets which the Organizations are not allowed to use in their operations and must always be held by the Organizations. At September 30, 2014 the Organizations did not have any permanently restricted net assets.

SOUTHERN IOWA COUNCIL OF GOVERNMENTS AND AFFILIATE  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2014

Note 1. Significant Accounting Policies (continued)

Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates and assumptions.

Cash and Cash Equivalents

The organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Property and Equipment

Property and equipment are capitalized at cost. It is the organization's policy to capitalize expenditures for these items in excess of \$ 5,000. Lesser amounts are expensed. Property and equipment are being depreciated over estimated useful lives of five to forty years using a straight-line method.

Note 2. Pension and Retirement Benefits

The Southern Iowa Council of Governments 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 5.95% of their covered salary and the Southern Iowa Council of Governments is required to contribute 8.93% of annual covered payroll. Contribution requirements are established by State statute. Southern Iowa Council of Governments' contribution to IPERS for the years ended September 30, 2014, 2013, and 2012 \$ 33,336 \$ 30,700, and \$ 29,315 respectively, equal to the required contributions for each year.

SOUTHERN IOWA COUNCIL OF GOVERNMENTS AND AFFILIATE  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2014

Note 3. Compensated Absences

Employees of Southern Iowa Council of Governments accumulate a limited amount of earned but unused annual leave. Amounts representing unused annual leave are recorded as a liability computed on current rates of pay. The amount at September 30, 2014 was \$ 19,016.

Note 4. RLF Loan Receivable

The Southern Iowa Development Group, Inc. (SIDG) entered into an agreement with Southern Iowa Council of Governments (SICOG) to serve as a subgrantee for Revolving Loan Fund (RLF) grant SICOG obtained from the Economic Development Administration (EDA) July 13, 1987. The loans are to be repaid in monthly installments at the rate of 4%-6% per annum. EDA may terminate any grant in whole, or in part, at any time before the date of completion, whenever it is determined that the grantee has failed to comply with the conditions of the grant. The Federal EDA money in the Revolving Fund at September 30, 2014, amounted to \$ 869,146. Whenever EDA terminates any RLF grant for cause, it has the right to recover residual funds and assets of the RLF grant in accordance with the legal rights of the parties.

As of September 30, 2014, the EDA RLF loan receivable balance was \$ 565,390.

Note 5. Allocation of Expenses

Some of the costs of providing the various programs and other activities have been allocated in the statement of activity. These allocable costs include accounting, equipment maintenance, insurance, and utilities.

Note 6. Assets Acquired with Federal Funds

Nonexpendable personal property with a unit acquisition cost of \$1,000 or more acquired with federal funds must be disposed of in accordance with federal regulations. The agency may retain the property for other uses provided that compensation is made to the original federal agency or successor by applying the federal participation in the cost of the original project multiplied by the current fair market value of the property. If the grantee has no need for the property and the property has further use value, the grantee shall request disposition instructions from the original grantor agency. At September 30, 2014, SICOG has \$ 40,631 of assets with a unit acquisition cost of \$1,000 or more acquired with federal funds. The amount of federal participation is \$ 29,608 or 72.87% of the unit acquisition costs.

SOUTHERN IOWA COUNCIL OF GOVERNMENTS AND AFFILIATE  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2014

Note 7. Payable to EDSA

The long term debt is payable to a municipality which has received an Economic Department Set Aside (EDSA) grant to be used in a revolving loan fund. The municipality has requested Southern Iowa Council of Governments and Affiliate to assist in management of the fund. The funds are then to be used to meet the required local match portion of a loan or loans which will benefit the municipal community. At September 30, 2014, \$31,228 was loaned to entities for the purpose of creating jobs in the municipal area which had received the EDSA grant.

Note 8. Deposits

Southern Iowa Council of Governments deposits at September 30, 2014 were entirely covered by Federal depository insurance or by the state sinking fund in accordance with Chapter 12 of the Code of Iowa. This Chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

Note 9. Intercompany Transaction

At September 30, 2014 Southern Iowa Development Group owed Southern Iowa Council of Governments \$ 99,528 for the administration of the revolving loan programs. This was eliminated for the consolidated financial statements.

Note 10. Subsequent events

Management has reviewed transactions and stated there were no subsequent events that would have a material affect the financial statements from September 30, 2014 through December 9, 2014.

Management, upon finalizing year reports, discovered that it was out of compliance on the three revolving loan grants. The deficit required an additional \$ 210,719 be sequestered. Management sequestered the additional amount on October 28, 2014.

SUPPLEMENTAL INFORMATION

SOUTHERN IOWA COUNCIL OF GOVERNMENTS AND AFFILIATE  
 COMBINED STATEMENT OF FINANCIAL POSITION - BY ASSET TYPE  
 September 30, 2014

	<u>Revolving Loan Restricted Assets</u>	<u>EDA Assistance Restricted Assets</u>	<u>Unrestricted Assets</u>	<u>Net Assets</u>
<b>ASSETS</b>				
<b>CURRENT ASSET</b>				
Cash	\$ 856,032	\$ ( 84,444)	\$1,051,994	\$ 1,823,582
Accounts receivable	---	---	266,944	266,944
Grants receivable	---	12,916	2,941	15,857
Current portion of long term loans receivable	<u>149,876</u>	<u>---</u>	<u>---</u>	<u>149,876</u>
Total current assets	<u>1,005,908</u>	<u>( 71,528)</u>	<u>1,321,879</u>	<u>2,256,259</u>
<b>LONG TERM RECEIVABLE - RLF Loans</b>	912,597	---	---	912,597
Less current portion	<u>149,876</u>	<u>---</u>	<u>---</u>	<u>149,876</u>
Total long term receivable	<u>762,721</u>	<u>---</u>	<u>---</u>	<u>762,721</u>
<b>PROPERTY AND EQUIPMENT - at cost</b>				
Buildings and equipment	---	---	109,799	109,799
Less accumulated depreciation	<u>---</u>	<u>---</u>	<u>67,835</u>	<u>67,835</u>
Total property and equipment	<u>---</u>	<u>---</u>	<u>41,964</u>	<u>41,964</u>
<b>Total assets</b>	<u>\$ 1,768,629</u>	<u>\$ ( 71,528)</u>	<u>\$1,363,843</u>	<u>\$ 3,060,944</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES</b>				
Notes payable	\$ ---	\$ ---	\$ 9,168	\$ 9,168
Accounts payable	---	---	2,465	2,465
Accrued expenses	<u>---</u>	<u>---</u>	<u>40,065</u>	<u>40,065</u>
Total current liabilities	<u>---</u>	<u>---</u>	<u>51,698</u>	<u>51,698</u>
<b>LONG TERM LIABILITIES</b>				
Long term debt less current portion	---	---	---	---
Payable to EDSA	<u>31,228</u>	<u>---</u>	<u>---</u>	<u>31,228</u>
Total long term liabilities	<u>31,228</u>	<u>---</u>	<u>---</u>	<u>31,228</u>
<b>Total liabilities</b>	<u>31,228</u>	<u>---</u>	<u>51,698</u>	<u>82,926</u>
<b>NET ASSETS</b>				
Unrestricted				
Undesignated net assets	---	---	1,312,145	1,312,145
Temporarily restricted				
Net assets	<u>1,737,401</u>	<u>( 71,528)</u>	<u>---</u>	<u>1,665,873</u>
<b>Total net assets</b>	<u>1,737,401</u>	<u>( 71,528)</u>	<u>1,312,145</u>	<u>2,978,018</u>
<b>Total liabilities and net assets</b>	<u>\$ 1,768,629</u>	<u>\$ ( 71,528)</u>	<u>\$1,363,843</u>	<u>\$ 3,060,944</u>

See accompanying independent auditor's report.

SOUTHERN IOWA COUNCIL OF GOVERNMENTS AND AFFILIATE  
 COMBINED STATEMENT OF ACTIVITY - BY NET ASSET TYPE  
 Year Ended September 30, 2014

	Revolving Loan Restricted Assets	EDA Assistance Restricted Assets	Unrestricted Assets	Total Net Assets
<b>REVENUE AND SUPPORT:</b>				
Federal funds	\$ ---	\$ 59,850	\$ 51,422	\$ 111,272
State grant	---	---	2,821,907	2,821,907
Local funds	---	39,900	47,501	87,401
Interest income	38,021	---	269	38,290
Service income	---	---	358,641	358,641
Miscellaneous	<u>17,398</u>	<u>---</u>	<u>49,718</u>	<u>67,116</u>
Total revenue and support	<u>55,419</u>	<u>99,750</u>	<u>3,329,458</u>	<u>3,484,627</u>
<b>EXPENSES:</b>				
Salary	29,144	92,579	229,187	350,910
Employee fringe	6,223	16,261	51,021	73,505
Health insurance	3,929	6,797	16,535	27,261
Disaster	---	---	2,622,571	2,622,571
Housing rehab	---	---	134,372	134,372
Bad debts	1,412	---	---	1,412
Accounting/consulting/legal	2,926	1,694	10,540	15,160
Depreciation	997	---	8,899	9,896
Consumable supplies	762	1,952	4,452	7,166
Dues and subscriptions	---	2,797	299	3,096
Repairs and maintenance	35	526	1,144	1,705
Insurance	961	2,375	6,202	9,538
Miscellaneous	4,986	---	9,006	13,992
Postage	455	975	1,677	3,107
Printing and publicity	1,770	4,617	( 4,038)	2,349
Utilities	720	1,822	4,863	7,405
Telephone	79	673	1,671	2,423
Interest	---	---	1,419	1,419
Travel & meetings	<u>372</u>	<u>2,981</u>	<u>2,400</u>	<u>5,753</u>
Total expenses	<u>54,771</u>	<u>136,049</u>	<u>3,102,220</u>	<u>3,293,040</u>
<b>EXCESS (DEFICIENCY) OF REVENUE AND SUPPORT OVER EXPENSES</b>	648	( 36,299)	227,238	191,587
<b>FUND BALANCES - Beginning of year</b>	<u>1,736,753</u>	<u>( 35,229)</u>	<u>1,084,907</u>	<u>2,786,431</u>
<b>FUND BALANCES - End of year</b>	<u>\$ 1,737,401</u>	<u>\$ ( 71,528)</u>	<u>\$ 1,312,145</u>	<u>\$ 2,978,018</u>

See accompanying independent auditor's report.

SOUTHERN IOWA COUNCIL OF GOVERNMENTS AND AFFILIATE  
 COMBINED STATEMENT OF ACTIVITY  
 REVOLVING LOANS  
 Year Ended September 30, 2014

	Housing RLF	Farmers Home Administration RLF	Economic Development Administration RLF
<b>REVENUE AND SUPPORT:</b>			
Interest income	\$ 3,134	\$ 1,253	\$ 33,632
Loan origination fees	<u>15,886</u>	<u>---</u>	<u>1,512</u>
Total revenue and support	<u>19,020</u>	<u>1,253</u>	<u>35,144</u>
<b>EXPENSES:</b>			
Salary	13,534	828	14,782
Employee fringe	3,923	115	2,185
Health insurance	2,591	53	1,285
Bad debts	1,412	---	---
Accounting/consulting/legal	1,618	122	1,186
Consumable supplies	377	67	318
Depreciation	660	16	321
Insurance	636	15	310
Postage	365	7	83
Printing and publicity	1,321	29	420
Utilities	478	14	228
Telephone	52	1	26
Repairs	6	---	29
Miscellaneous	4,418	---	568
Travel & meetings	90	---	282
Total expenses	<u>31,481</u>	<u>1,267</u>	<u>22,023</u>
<b>EXCESS (DEFICIENCY) OF REVENUE AND SUPPORT OVER EXPENSES</b>	<b>( 12,461)</b>	<b>( 14)</b>	<b>13,121</b>
<b>FUND BALANCES - Beginning of year</b>	<u>430,138</u>	<u>123,324</u>	<u>1,189,028</u>
<b>FUND BALANCES - End of year</b>	<u>\$ 417,677</u>	<u>\$ 123,310</u>	<u>\$ 1,202,149</u>



Economic Development Set Aside RLF	Total Revolving Loan Funds (RLF)
\$ 2	\$ 38,021
<u>    </u>	<u>17,398</u>
<u>    </u>	<u>55,419</u>
---	29,144
---	6,223
---	3,929
---	1,412
---	2,926
---	762
---	997
---	961
---	455
---	1,770
---	720
---	79
---	35
---	4,986
<u>    </u>	<u>372</u>
<u>    </u>	<u>54,771</u>
2	648
<u>( 5,737)</u>	<u>1,736,753</u>
<u>\$ ( 5,735)</u>	<u>\$ 1,737,401</u>

See accompanying independent auditor's report.

SOUTHERN IOWA COUNCIL OF GOVERNMENTS AND AFFILIATE  
 COMBINED STATEMENT OF ACTIVITY  
 EDA ASSISTANCE GRANTS  
 Year Ended September 30, 2014

	<u>Grant No.05- 83-05337.01</u>	<u>Grant No. 05- 83-05337</u>	<u>Total</u>
<b>REVENUE AND SUPPORT:</b>			
Federal funds	\$ 31,500	\$ 28,350	\$ 59,850
Local funds	<u>21,000</u>	<u>18,900</u>	<u>39,900</u>
Total revenue and support	<u>52,500</u>	<u>47,250</u>	<u>99,750</u>
 <b>EXPENSES:</b>			
Salary	46,026	46,553	92,579
Employee fringe	8,285	7,976	16,261
Health insurance	3,111	3,686	6,797
Accounting/consulting/legal	134	1,560	1,694
Consumable supplies	829	1,123	1,952
Dues and subscriptions	2,579	218	2,797
Insurance	1,167	1,208	2,375
Postage	376	599	975
Printing and publicity	1,867	2,750	4,617
Utilities	893	929	1,822
Telephone	325	348	673
Repairs	242	284	526
Travel & meetings	<u>1,763</u>	<u>1,218</u>	<u>2,981</u>
Total expenses	<u>67,597</u>	<u>68,452</u>	<u>136,049</u>
 <b>EXCESS OF REVENUE AND SUPPORT OVER EXPENSES</b>			
	( 15,097)	( 21,202)	( 36,299)
 <b>FUND BALANCES - Beginning of year</b>			
	<u>---</u>	<u>( 35,229)</u>	<u>( 35,229)</u>
 <b>FUND BALANCES - End of year</b>			
	<u>\$ ( 15,097)</u>	<u>\$ ( 56,431)</u>	<u>\$ ( 71,528)</u>

See accompanying independent auditor's report.

SOUTHERN IOWA COUNCIL OF GOVERNMENTS AND AFFILIATE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Federal Grantor/Pass-through Grantor/Program	CFDA Number	Project Number	Program Expenditures
<u>U.S. Department of Commerce</u>			
Direct programs:			
Economic Development Assistance			
Title IX Long-Term Economical			
Deterioration Revolving Loan			
Fund Grant	11.307	05-39-02265	\$ 337,021
 Deterioration Revolving Loan			
Fund Grant	11.307	05-39-226501	216,048
 Economic Adjustment Grant RLF	11.307	05-79-04736	316,077
 Support for Planning Organizations	11.302	05-83-04404	<u>59,850</u>
 Total U.S. Department of Commerce			<u>928,996</u>
 <u>U.S. Department of Transportation</u>			
Passed through Iowa Department of transportation:			
Intermodal Transportation Planning	20.205	FHWA	31,790
 Grant for Urbanized Area	20.509	FTA 5311	<u>19,632</u>
 Total U.S. Department of Transportation			<u>51,422</u>
 Total expenditures of federal awards			<u>\$ 980,418</u>

**TED WILLETS**  
CERTIFIED PUBLIC ACCOUNTANT  
904 N. SUMNER - Box 128  
CRESTON, IOWA 50801  
641-782-5585

MEMBER OF  
IOWA SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

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  
Southern Iowa Council of Governments  
Creston, Iowa

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined financial statements of Southern Iowa Council of Governments and Southern Iowa Development Group, Inc. which comprise the statement of financial position as of September 30, 2014, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued my report thereon dated December 9, 2014.

**Internal Control Over Financial Reporting**

In planning and performing my audit of the combined financial statements, I considered Southern Iowa Council of Governments and Southern Iowa Development Group, Inc.'s internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Southern Iowa Council of Governments and Southern Iowa Development Groups, Inc.'s internal control. Accordingly, I do not express an opinion on the effectiveness of Southern Iowa Council of Governments and Southern Iowa Development Groups, Inc.'s internal control.

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 that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southern Iowa Council of Governments and Southern Iowa Development Group, Inc.'s combined financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of the 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 noncompliance or other matters that required to be reported under *Government Auditing Standards*

## Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Creston, Iowa  
December 9, 2014

**TED WILLETS**

CERTIFIED PUBLIC ACCOUNTANT

904 N. SUMNER - Box 128

CRESTON, IOWA 50801

641-782-5585

MEMBER OF  
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AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY OMB CIRCULAR A-133

Board of Directors  
Southern Iowa Council of Governments  
Creston, Iowa

**Report on Compliance for Each Major Federal Program**

I have audited Southern Iowa Council of Governments and Southern Iowa Development Group, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on Southern Iowa Council of Governments and Southern Iowa Development Group, Inc.'s major federal program for the year ended September 30, 2014. Southern Iowa Council of Governments and Southern Iowa Development Group, Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

My responsibility is to express an opinion on compliance of Southern Iowa Council of Government and Southern Iowa Development Group, Inc.'s major federal program based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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 Southern Iowa Council of Governments and Southern Iowa Development Group, Inc.'s compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for the major federal program. However, my audit does not provide a legal determination on Southern Iowa Council of Governments and Southern Iowa Development Group, Inc.'s compliance.

## Opinion on Major Federal Program

In my opinion, Southern Iowa Council of Governments and Southern Iowa Development Group, Inc. complied in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2014.


## Report on Internal Control Over Compliance

Management of Southern Iowa Council of Governments and Southern Iowa Development Group, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered Southern Iowa Council of Governments and Southern Iowa Development Group, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing my opinion on compliance for the major federal program 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 such an opinion on the effectiveness of Southern Iowa Council of Governments and Southern Iowa Development Group, Inc.'s internal control over compliance.

*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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in the internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

  
Creston, Iowa  
December 9, 2014

SOUTHERN IOWA COUNCIL OF GOVERNMENTS AND AFFILIATE  
SCHEDULE OF FINDINGS  
Year Ended September 30, 2014

Summary of the Independent Auditor's Results

1. The auditor's report expresses an unqualified opinion on the combined financial statements of Southern Iowa Council of Governments and Affiliate
2. There are no reportable conditions relating to the audit of the combined financial statements.
3. No instances of noncompliance material to the combined financial statements of Southern Iowa Council of Governments and Affiliate, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. There were no reportable conditions relating to the audit of the major federal award programs.
5. The auditor's report on compliance for the major federal award programs for Southern Iowa Council of Governments and Affiliate expresses an unqualified opinion on all major federal programs.
6. There were no audit findings that were required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as a major program include:

Name of federal program	CFDA number
Title IX Long-Term Economic Deterioration Revolving Loan Fund Grant	11.307

8. The threshold used for distinguishing between Type A and B programs was \$300,000
9. Southern Iowa Council of Governments and Southern Iowa Development Group, Inc, did qualify as a low risk auditee.

FINDINGS - FINANCIAL STATEMENTS AUDIT

None

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None