BEAR RIVER ASSOCIATION OF GOVERNMENTS

FINANCIAL REPORT

JUNE 30, 2006

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WIGGINS & CO. P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Bear River Association of Governments
Brigham City, Utah

We have audited the accompanying financial statements of the governmental activities and the major fund of Bear River Association of Governments (the "Association"), as of and for the year ended June 30, 2006, which collectively comprise the Association's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Association's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with 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. Those standards require that we 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. We believe that our audit provide a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Bear River Association of Governments as of June 30, 2006, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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In accordance with *Government Auditing Standards*, we have also issued a report dated October 27, 2006, on our consideration of Bear River Association of Governments' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Wiggins + Co., PC

Brigham City, Utah
October 27, 2006

Management's Discussion and Analysis
Bear River Association of Governments

This section of Bear River Association of Governments' (BRAG, Association) annual financial report presents management's discussion and analysis of BRAG's financial performance during the year ending June 30, 2006. Please read it in conjunction with BRAG's financial statements, which follows this section.

History and Purpose of Bear River Association of Governments

The Bear River Association of Governments (BRAG) is a voluntary association of local governments in Box Elder, Cache, and Rich Counties. The association was formed in 1971 to address problems that extend beyond traditional jurisdictional boundaries and affect the entire tri-county region. BRAG was also designed to eliminate duplication of effort and to provide a stronger role for local government officials in planning, coordinating and administering state and federal programs at the local level.

As stated in the Articles of Association, the organization's creation document, "The Bear River Association of Governments ... shall be a voluntary organization of governments to facilitate inter-governmental cooperation and insure the orderly and harmonious coordination of federal, state, and local programs for the solution of mutual problems of the region." The overall goal is "to serve as a multipurpose organization, utilizing our combined total resources, to provide a more effective means for planning and development of the physical, economic and human resources of the region."

BRAG is not intended to become a new layer of government, but rather provide a shared professional staff to local elected officials enabling them to better meet the needs of their constituents.

Financial Highlights

- The Association's net assets exceeded liabilities by $1,079,867 at the close of the most recent fiscal year.
- During the year, expenses were $130,806 less than the $5,974,372 generated in revenues for government activities.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to BRAG's basic financial statements. The Association's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of BRAG's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the assets and liabilities of BRAG, 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 the Association is improving or deteriorating.

The *statement of activities* presents information showing how the net assets of BRAG changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

The government-wide financial statements of BRAG are reported as governmental activities. (BRAG has no business-type activities.) Governmental activities include administration; regional planning; community, economic, and housing development; regional housing authority; community action agency; weatherization; and area agency on aging. State and federal grants finance most of these activities.

Fund Financial Statements

A *fund* is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. BRAG, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of BRAG are governmental funds.

- **Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the government's near-term financing requirements.

  Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

  BRAG maintains one governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be a major fund.

  BRAG adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Notes to the Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

Net assets
As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Association, net assets exceeded liabilities by $1,079,867 at the close of the most recent fiscal year.

Bear River Association of Governments' Net Assets

	Governmental Activities		Total Changes
	2006	2005	2006-2005
Current and other assets	$ 2,128,945	$ 1,924,581	$ 204,364
Capital assets	334,453	353,787	(19,334)
Total assets	$ 2,463,398	$ 2,278,368	$ 185,030
Current and other liabilities	$ 215,645	$ 329,381	$ (113,736)
Long-term liabilities outstanding	1,167,886	999,927	167,959
Total liabilities	$ 1,383,531	$ 1,329,308	$ 54,223
Net assets:			
Invested in capital assets, net of related debt	$ 334,453	$ 353,787	$ (19,334)
Restricted	513,178	505,053	8,125
Unrestricted	232,236	90,221	142,015
Total net assets	$ 1,079,867	$ 949,061	$ 130,806

- Net assets of BRAG's governmental activities increased 13.78% to $1,079,867. Change in assets due to a decrease in capital assets of $19,334 and an increase in cash of $321,898. Liabilities increased because of

decrease in accounts payable of $113,737 and an increase in deferred revenue of $224,281. *Restricted* net assets decreased because a reclassification of Bear River Crown investment and notes receivable. BRAG had $207,539 in vendor and payroll payables on June 30, 2006. *Unrestricted* net assets showed a $232,236 balance at June 30, 2006. This balance may be used to meet Association obligations to employees and creditors and to honor next year's budget.

Changes in Net Assets

BRAG's total net assets increased $130,806 during the fiscal year ended June 30, 2006.

Bear River Association of Governments' Change in Net Assets

	Governmental Activities		Total Changes
	2006	2005	2006-2005
Revenues:			
Program revenues:			
Charges for services	$ 639,700	$ 98,048	$ 541,652
Operating grants and contributions	5,298,407	5,691,575	(393,168)
Capital grants and contributions	0	266,550	(266,550)
General revenues:			
Grants and contributions not restricted to specific programs	36,265	183,615	(147,350)
Total revenues	$ 5,974,372	$6,239,788	$ (265,416)
Expenses:			
Governmental activities:			
Salaries and Fringe	$ 1,605,901	$1,551,685	$ 54,216
Capital Outlay	42,736	13,072	29,664
Operating expenses	517,221	518,974	(1,753)
Direct or Contracted service and Revolving Loans	3,677,708	3,922,474	(244,766)
Total Expenses:	$ 5,843,566	$6,006,205	$ (162,639)
Change in net assets	$130,806	$233,583	$102,777)
Net assets, beginning	$949,061	$715,478	$ 233,583
Net assets, ending	$1,079,867	$949,061	$ 130,806

- The Association's total revenues decreased by 4.25% to $5,974,372. Federal and state grants make up 88.6% of BRAG's revenues; local revenue generates .6% of the revenues; the remainder of revenues is from various other contributions for programs administered by BRAG.

- The total expenses of all programs and services decreased by 2.71% to $5,843,566. This decrease was mostly attributable to a decrease in revenues, resulting in a corresponding decrease in expenditures.

- Beginning net assets were restated to reflect a reclassification of Bear River Crown balance sheet accounts from a prior period.

Financial Analysis of the Association's Funds

As noted earlier, BRAG uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

The focus of BRAG's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing BRAG's financing requirements. As BRAG completed the year, its governmental fund reported a fund balance of $810,057, which was $151,818 more than the previous year.

Governmental funds report the differences between their assets and liabilities as fund balance, which is divided into reserved (restricted) and unreserved (unrestricted) portions. Reservations indicate the portion of the fund balances that are not available for appropriation. The unreserved fund balance is, in turn, subdivided between designated and

undesignated portions. Designations reflect BRAG's self-imposed limitation on the use of otherwise available expendable financial resources in governmental funds. Undesignated balances in the general fund are required by state to be appropriated in the following year's budget.

General Fund Budgetary Highlights

- The original budget of $6,120,380 was adopted by the Governing Board on May 24, 2005.

Actual expenditures were $297,826 below budgeted amounts. Actual revenues were $146,273 less than budgeted. Variances primarily result from expenditure-driven federal and state grants that are included in the budgets at their full amounts. Such grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met; unspent grant amounts are carried forward and included in the succeeding year's budget. Therefore, actual grant revenues and expenditures are normally less than the amounts budgeted.

Capital Asset and Debt Administration

Capital Assets
BRAG acquired capital assets totaling $17,841 during the year ended June 30, 2006, all of which was for the acquisition of computers and copiers.

Capital assets at June 30, 2006 and 2005 are outlined below:

Bear River Association of Governments' Capital Assets

	Governmental Activities		Total Changes
	2006	2005	2006-2005
Land	$46,300	$46,300	$ 0
Building	226,200	226,200	0
Improvements	3,500	3,500	0
Furniture and fixtures	18,783	18,783	0
Office equipment	164,152	171,669	(7,517)
Vehicles	77,334	83,884	(6,550)
Accumulated depreciation	(201,816)	(196,549)	(5,267)
Total capital assets	$334,453	$353,787	($19,334)

Additional information on the Association's capital assets can be found in the notes to the basic financial statements.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors a general overview of BRAG's finances and to demonstrate the Association's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact Bear River Association of Governments, Executive Director, 170 North Main, Logan, UT 84321.

BEAR RIVER ASSOCIATION OF GOVERNMENTS
STATEMENT OF NET ASSETS
JUNE 30, 2006

	Governmental Activity
ASSETS	
Cash and cash equivalents	$ 708,149
Accounts Receivable:	
Federal Sources:	
Department of Agriculture	2,916
Department of Commerce	15,000
Department of Energy	11,451
Department of Health and Human Services	226,415
Department of Housing and Urban Development	134,341
Corporation National & Community Service	5,232
National Endowment for the Arts	9,342
Other sources:	
State of Utah	108,053
Other	10,918
Revolving loans and contract receivable	638,553
Prepaid expenses	172,675
Notes receivable-affiliates	85,900
Capital assets (net of accumulated depreciation)	
Land	46,300
Buildings	217,718
Improvement other than buildings	1,593
Furniture and fixtures	7,293
Office Equipment	40,564
Vehicles	20,985
Total Assets	2,463,398
LIABILITIES	
Accounts payable	215,645
Other payables	-
Deferred revenue	1,017,343
Deferred revenue-affiliates	85,900
Compensated absences payable	64,643
Total Liabilities	1,383,531
NET ASSETS	
Investment in capital assets, net of debt	334,453
Restricted for:	
Department of Housing & Urban Development	204,739
Revolving loans	308,439
Unreserved:	
Unappropriated	232,236
Total Net Assets	1,079,867

The notes to the financial statements are an integral part of this statement.

BEAR RIVER ASSOCIATION OF GOVERNMENTS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

FUNCTIONS/PROGRAMS	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities
PRIMARY GOVERNMENT					
Governmental activities:					
General government:					
Salaries	$ 1,110,080	$ 121,521	$ 1,006,518	$ -	$ 17,959
Fringe benefits	495,821	54,278	449,565	-	8,022
Capital outlay	42,736	4,678	38,749	-	691
Operating expenses	517,221	56,621	468,968	-	8,368
Direct or contracted services	3,505,276	230,170	3,334,607	-	59,501
Revolving loans	172,432	172,432	-	-	-
Total governmental activities	$ 5,843,566	$ 639,700	$ 5,298,407	$ -	94,541
General revenues					
Grants and contributions not restricted to specific programs					36,000
Gain on sale of capital assets					265
Total general revenues and transfers					36,265
Change in net assets					130,806
Net assets - beginning, as restated					949,061
Net assets - ending					$ 1,079,867

The notes to the financial statements are an integral part of this statement.

BEAR RIVER ASSOCIATION OF GOVERNMENTS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	General
ASSETS	
Cash and cash equivalents	$ 708,149
Receivables (net of allowance for uncollectibles):	
Federal sources	404,697
State sources	108,053
Other sources	10,918
Revolving loans	638,553
Notes	85,900
Prepaid expenses	172,675
Total assets	$ 2,128,945
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	$ 215,645
Other accrued liabilities	-
Deferred revenue-affiliates	85,900
Deferred revenue	1,017,343
Total liabilities	1,318,888
Fund balances	
Reserved for Housing & Urban Development Programs	204,739
Unreserved	
Undesignated	605,318
Total fund balances	810,057
Total liabilities and fund balances	$ 2,128,945

The notes to the financial statements are an integral part of this statement.

BEAR RIVER ASSOCIATION OF GOVERNMENTS
RECONCILIATION OF THE BALANCE SHEET-GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2006

Total fund balances-governmental funds		$ 810,057
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. These assets consist of:		
Land	$ 46,300	
Buildings	226,200	
Improvements	3,500	
Furniture and fixtures	18,783	
Office equipment	164,152	
Vehicles	77,334	
Accumulated depreciation	(201,816)	
Total capital assets		334,453
Compensated absences are due and payable in the current period, but may carry over into the long-term and therefore not reported in the funds.		(64,643)
Total net assets-governmental activities		$ 1,079,867

The notes to the financial statements are an integral part of this statement.

BEAR RIVER ASSOCIATION OF GOVERNMENTS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	General
REVENUES	
Intergovernmental	$ 5,334,407
Charges for services	639,700
Total revenues	5,974,107
EXPENDITURES	
General government:	
Salaries	1,110,080
Fringe benefits	494,143
Capital outlay	23,402
Operating expenses	517,221
Direct or contracted services	3,505,276
Revolving loans	172,432
Total expenditures	5,822,554
Excess (deficiency) of revenues over (under) expenditures	151,553
OTHER FINANCING SOURCES (USES)	
Sale of capital assets	265
Total other financing sources and uses	265
Net change in fund balances	151,818
Fund balances - beginning, as restated	658,239
Fund balances - ending	$ 810,057

The notes to the financial statements are an integral part of this statement.

BEAR RIVER ASSOCIATION OF GOVERNMENTS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE-GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

Net change in fund balances - total governmental funds	$ 151,818
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays, $17,841 exceeded depreciation $37,175 in the current period.	(19,334)
In the statement of activities, only the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sales increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the asset sold.	-
The liability for compensated absences is not recorded in the governmental funds, but is reported in the statement of assets. This is the current year change in the liability, reported as expense in the statement of activities.	(1,678)
Change in net assets of governmental activities	$ 130,806

The notes to the financial statements are an integral part of this statement.

BEAR RIVER ASSOCIATION OF GOVERNMENTS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Intergovernmental	$ 5,632,275	$ 5,632,275	$ 5,334,407	$ (297,868)
Charges for services	488,105	488,105	639,700	151,595
Total revenues	6,120,380	6,120,380	5,974,107	(146,273)
EXPENDITURES				
Current:				
General government:				
Salaries	1,096,666	1,096,666	1,110,080	(13,414)
Fringe benefits	468,133	468,133	494,143	(26,010)
Capital outlay	15,650	15,650	23,402	(7,752)
Operating expenses	453,665	453,665	517,221	(63,556)
Direct or contracted services	3,911,266	3,911,266	3,505,276	405,990
Revolving loans	175,000	175,000	172,432	2,568
Total expenditures	6,120,380	6,120,380	5,822,554	297,826
Excess of revenues over expenditures	-	-	151,553	151,553
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	265	265
Total other financing sources and uses	-	-	265	265
Net change in fund balances	-	-	151,818	151,818
Fund balances - beginning, as restated	658,239	658,239	658,239	-
Fund balances - ending	$ 658,239	$ 658,239	$ 810,057	$ 151,818

The notes to the financial statements are an integral part of this statement.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Association operates under a Governing Board and is an association of governmental entities located in Box Elder, Cache and Rich Counties. The Association provides grant related services to the tri-county area .

The financial statements of the Association have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Association's accounting principles are described below.

A. Reporting Entity

The Association applies the criteria of GASB codification section 1200 to define the scope of the reporting entity. Consideration is given to various factors, including oversight and financial responsibility. Based upon the application of this criteria, the financial statements include all funds and accounts of the Association. No other entities were determined to be component units of the Association.

B. Government-wide and Fund Financial Statements

Government-wide Financial statements. The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties for goods or services. The Association only operates one governmental-type fund.

Fund Financial Statements. Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. There are no enterprise funds or non-major funds.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Government-wide Financial Statements. The government-wide 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt are reported as a reduction of the related liability, rather than an expenditure in the government-wide financial statements.

Governmental Fund Financial Statements. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. "Measurable" means that amounts can be reasonably determined within the current period. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Association considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Grant revenue is recognized when qualified expenditures are incurred and a contractual claim exists with the grantor agency. All other revenue items are considered to be measurable and available only when cash is received by the Association.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Exceptions to this general rule include principal and interest on long-term debt as well as expenditures related to compensated absences, which are recognized when payment is due.

The Association reports the following major governmental funds:

General Fund - The General Fund accounts for all activities of the Association. The principal source of revenue for this fund is intergovernmental grants and programs.

D. Budgets

Budgets are legally adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for funds. All annual appropriations lapse at fiscal year end.

The Association operates within the budget requirements as specified by State law. The financial reports reflect the following budgetary standards.

1. For the fiscal year beginning July 1, the Executive Director prepares a tentative budget which is presented to the Governing Board on or before June 1.

2. By resolution, the Governing Board legally adopts the final budget prior to June 30, after a public hearing has been held.

3. Once adopted, the budget can be amended by subsequent Board action. Reductions in appropriations can be approved by the Board upon recommendation of the Executive Director, but increased appropriations require a public hearing prior to amending the budget. The budget presented is the final approved budget, as amended. Budgets for the General Fund are prepared on the GAAP basis of accounting.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgets (Continued)

4. Adjustments in estimated revenue and revisions of appropriations due to operational changes in the departments or changes in categorical program funding during the fiscal year have been integrated into the budget approved by the Board.

5. At the end of a year, encumbered appropriations lapse.

E. Cash and Cash Equivalents

Cash balances of all programs are combined to form a pool of cash and investments which is managed by the management in accordance with the Utah Money Management Act. Income from the investment of pooled cash is recorded when earned. Restricted cash consists of that portion of pooled cash that is restricted for a specific use due to constraints imposed by external parties or enabling legislation, or is cash held in trust in compliance with grant terms and conditions. When both restricted and unrestricted sources are available for use, it is the Association's policy to use restricted resources first, then unrestricted resources as they are needed.

F. Interfund transactions

There are no other funds and thus no interfund transfers.

G. Private-sector Standards of Accounting and Financial Reporting

The Association generally applies to the government-wide financial statements all *Financial Accounting Standards Board (FASB)* Statements and Interpretations, APB Opinions, and Accounting Research bulletins issued on or before November 30, 1989, to the extent that those standards do not conflict with or contradict guidance of the *Governmental Accounting Standards Board (GASB).* The Association has elected not to follow private-sector guidance subsequent to that date.

H. Capital Assets

Capital assets include land, buildings, leasehold improvements, furniture, fixtures and equipment, and vehicles. These assets are reported in the government-wide financial statements in the relevant column on the Statement of Net Assets under governmental activities. Capital assets acquired by governmental funds are recorded as expenditures in the governmental fund financial statements. The capitalization threshold for personal property is defined to be assets with a useful life of at least one year and costing at least $1,200; real property thresholds vary by type of asset, but are generally established at the same amount. Assets purchased or constructed are generally recorded at cost. If precise cost is not available (as was the case with certain infrastructure), the asset is recorded at estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation.

When constructing capital assets, interest expense incurred relating to governmental activities is not capitalized. During 2006 no interest was capitalized because no significant construction occurred.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Capital Assets (Continued)

Depreciation of all exhaustible capital assets is charged to the various functional expenses in the government-wide Statement of Activities. Accumulated depreciation is reported on government-wide Statements of Net Assets. Depreciation is provided over the estimated useful lives using the straight-line method. Estimated useful lives are as follows:

Buildings	10-40 years
Improvements	5-40 years
Equipment	5-20 years
Vehicles	5-10 years

I. Compensated Absences

It is the Association's policy to permit employees to accumulate earned but not used vacation benefits. An estimate of vacation pay is accrued when incurred in government-wide financial statements and reported as a liability. A liability for these amounts is reported in the governmental funds only if benefits have matured as a result of employee resignations and retirements.

J. Long-term liabilities

In the government-wide financial statements, long-term debt is reported as a liability. Bond premiums and discounts, defeasance costs, (the difference between the carrying amount of the defeased debt and its reacquisition price in bond refundings), as well as issuance costs, are deferred and amortized over the life of the bonds. The Association had no long-term debt other than compensated absences at June 30, 2006.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

K. Net Assets/Fund Balances

The difference between assets and liabilities is "Net Assets" on the government-wide and "Fund Balance" on the governmental fund financial statements. Net assets are divided into invested in capital assets (net of related debt), restricted, and unrestricted. Net assets are reported as restricted when constraints are placed upon them by external parties or are imposed by constitutional provisions or enabling legislation.

In the governmental fund financial statements, fund balances are classified as reserved, unreserved designated, or unreserved undesignated. Reserves represent those portions of fund balance not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

NOTE 2. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2006, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 46,300	$ -	$ -	$ 46,300
Construction in progress	-	-	-	-
Total capital assets not being depreciated	46,300	-	-	46,300
Capital assets being depreciated:				
Buildings	226,200	-	-	226,200
Improvements and infrastructure	3,500	-	-	3,500
Furniture and fixtures	18,783	-		18,783
Office equipment	171,669	17,841	(25,358)	164,152
Vehicles	83,884	-	(6,550)	77,334
Total capital assets being depreciated	504,036	17,841	(31,908)	489,969
Less accumulated depreciation				
Buildings	(2,827)	(5,655)	-	(8,482)
Improvements and infrastructure	(1,638)	(269)	-	(1,907)
Furniture and fixtures	(9,582)	(1,908)	-	(11,490)
Office equipment	(124,922)	(24,024)	25,358	(123,588)
Vehicles	(57,580)	(5,319)	6,550	(56,349)
Total accumulated depreciation	(196,549)	(37,175)	31,908	(201,816)
Total capital assets being depreciated, net	307,487	(19,334)	-	288,153
Governmental activity capital assets, net	$ 353,787	$ (19,334)	$ -	$ 334,453

Depreciation expense was charged to functions as follows:

Governmental activities:	
Operating expenses	$ 37,175
Total depreciation expense - governmental activities	$ 37,175

NOTE 3. RETIREMENT PLANS

Plan Description. Bear River Association of Governments contributes to the Local Governmental Contributory Retirement System and Local Governmental Noncontributory Retirement System cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Noncontributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy. In the Local Governmental Noncontributory Retirement System, the Association is required to contribute 11.09% of their annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

Bear River Association of Governments' contributions to the Noncontributory Retirement System for June 30, 2006, 2005, and 2004 were $107,059, $103,410 and $87,854 respectively. The contributions were equal to the required contributions for each year.

The Association also participates in a 401-K deferred compensation arrangement through the Utah State Retirement System for all eligible employees. The Association contributed $92,782 to this plan during the year ended June 30, 2006, and the employees contributed $31,515.

NOTE 4. DISBURSEMENTS TO OTHER GOVERNMENTAL AGENCIES AND UNITS

Direct or contracted services include expenses which represent funds disbursed to local agencies by the Association. All governmental units to which funds are transferred are independently audited.

NOTE 5. LONG-TERM AND SHORT-TERM OBLIGATIONS

The following is a summary of long-term debt transactions of the Association for the year ended June 30, 2006.

	Obligation for Compensated Absences
Long-term debt at July 1, 2005	$ 62,965
Amount earned	56,370
Amount used	(54,692)
Long-term debt at June 30, 2006	$ 64,643

The obligation for compensated absences arises from the accrual of unused vacation time provided for eligible employees.

NOTE 6. CASH AND INVESTMENTS

The Association follows the requirements of the Utah Money Management Act (Utah Code Annotated 1953, Section 51, Chapter 7) in handling its depository and temporary cash and investment transactions. This law requires the depositing of funds in a "qualified depository". The Act defines a "qualified depository" as any financial institution whose deposits are insured by an agency of the Federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Money Management Council.

At June 30, 2006, the carrying amount of the Association deposits was $708,149 and the bank balance was $1,029,615. Of the bank balance, $100,000 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. Deposits are not collateralized nor are they required to be by state statute. However, the State Commissioner of Financial Institutions monitors financial institutions and establishes limits for deposit of public money at individual financial institutions, and the Association follows these recommendations. The Association has no formal policies related to custodial credit risk, however, they follow the Utah State Money Management Act.

NOTE 7. DETAIL OF FUND/PROGRAM BALANCE

The following are the program fund balances at June 30, 2006.

Logan City Housing Authority	$	132,504
Bear River Housing Authority		72,235
Revolving Loans		276,391
Grouse Creek EDF		60,988
Revolving Loans Administration and fees		58,894
WX Cost Share		2,021
Tri-County Support		16,387
Aging Misc Donations		685
BRAG Support		28,738
BRAG Building Maintenance		22,830
Bear River Crown Homes		10,947
Bear River Crown Management		18,496
Crown at Tremonton Village Management		823
Crown at Tremonton Village Homes		15,032
FTHB Payback		93,086
	$	810,057

NOTE 8. CORRECTION OF AN ERROR

The Association corrected an error regarding how it recorded a note receivable from Bear River Crown Homes during 2006. The note was recorded as a long term receivable and fund balance. Since the status of the note is long term and the funds are to be received approximately 15 years from the date of the note, a correction was made in 2006 to remove the amount of the note, $58,000, from fund balance and record it as long term deferred revenue. This had a prior period affect on fund balance of reducing the beginning fund balance by $58,000.

The Association also corrected an error for an improper recording of an Investment in Bear River Crown Homes in the amount of $39,726. The affect on fund balance is to reduce the beginning amount by $39,726.

A summary of the affect of these corrections on beginning fund balance is as follows:

	Fund Balance	Net Assets
Beginning balance, as previously reported	$ 755,965	$ 1,046,787
Corrected as follows:		
Note receivable from fund balance to deferred revenue	(58,000)	(58,000)
Adjust incorrect investment in Bear River Crown	(39,726)	(39,726)
Beginning balance, as corrected	$ 658,239	$ 949,061

BEAR RIVER ASSOCIATION OF GOVERNMENTS

MANAGEMENT REPORT

FOR THE YEAR ENDED JUNE 30, 2006

BEAR RIVER ASSOCIATION OF GOVERNMENTS
MANAGEMENT REPORT
FOR THE YEAR ENDED JUNE 30, 2006

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WIGGINS & CO. P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' 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 Governing Board
Bear River Association of Governments

We have audited the financial statements of the governmental activities and the major fund of Bear River Association of Governments as of and for the year ended June 30, 2006, which collectively comprise Bear River Association of Governments' basic financial statements and have issued our report thereon dated October 27, 2006. We conducted our audit in accordance with 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Bear River Association of Governments' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bear River Association of Governments' financial statements are free of material misstatement, we 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 financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Bear River Association of Governments in the enclosed Schedule of Findings, Recommendations and Responses.

This report is intended solely for the information and use of Bear River Association of Governments and 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.

Wiggins + Co., PC

Brigham City, Utah 84302
October 27, 2006

WIGGINS & CO. P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON LEGAL COMPLIANCE

To the Governing Board
Bear River Association of Governments

We have audited the financial statements of the governmental activities and the major fund of Bear River Association of Governments as of and for the year ended June 30, 2006, which collectively comprise Bear River Association of Governments' basic financial statements and have issued our report thereon dated October 27, 2006. As part of our audit, we have audited the Bear River Association of Governments' compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah's Legal Compliance Audit Guide for the year ended June 30, 2006. The Association received the following major assistance programs from the State of Utah:

State Adult Services (Department of Human Services)

The Association also received the following non-major grants which are not required to be audited for specific compliance requirements: (However, these programs were subject to testwork as part of the audit of the Association's financial statements.)

State Procurement
Rural Utah DP Assistance
Community and Economic Development (Department of Community and Economic Development)
State Affordable Housing Plan
State PCIFB
State Olene Walker Administration
State Senior Companion
State Circuit Rider
State Emergency Food Network

Our audit also included testwork on the Association's compliance with the following general compliance requirements identified in the State of Utah Legal Compliance Audit Guide:

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Other Compliance Requirements

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The management of the Bear River Association of Governments is responsible for the Association's compliance identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Association's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above.

In our opinion, the Bear River Association of Governments, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2006.

Wiggins + Co., PC
Brigham City, Utah
October 27, 2006

BEAR RIVER ASSOCIATION OF GOVERNMENTS
SCHEDULE OF FINDINGS, RECOMMENDATIONS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2006

OTHER COMPLIANCE FINDINGS

06-01 WEATHERIZATION PROGRAM

Finding:

We noted that there were questioned costs in the weatherization programs of the Association. These were first noted during the normal review of operations by the Association. While the amount in question is not material to the financial statements, the costs result in a decrease in the fund balance of the BRAG Support fund.

Recommendation:

We recommend that the management of the Association continue to carefully monitor the programs and the related expenditures to ensure that they are in compliance with their respective contracts.

Response:

We agree with this recommendation and will continue to monitor programs and expenditures.

BEAR RIVER ASSOCIATION OF GOVERNMENTS

SINGLE AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2006

BEAR RIVER ASSOCIATION OF GOVERNMENTS
SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2006

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WIGGINS & CO. P.C.
CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND AUDITORS' REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the Governing Board
Bear River Association of Governments

Compliance

We have audited the compliance of Bear River Association of Governments with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. Bear River Association of Governments' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questions costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Bear River Association of Governments' management. Our responsibility is to express an opinion on Bear River Association of Governments' compliance based on our audit.

We conducted our 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 we 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 Bear River Association of Governments' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Bear River Association of Governments' compliance with those requirements.

In our opinion, Bear River Association of Governments complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

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Internal Control Over Compliance

The management of Bear River Association of Governments is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Bear River Association of Governments' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities and each major fund of Bear River Association of Governments as of and for the year ended June 30, 2006, and have issued our report thereon dated October 27, 2006. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Association's basic financial statements taken as whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the audit committee, management, others within the organization, and 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.

Wiggins + Co., PC

October 27, 2006

BEAR RIVER ASSOCIATION OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

Federal Grantor/Pass through Grantor Program/Title	Contract Number	CFDA Number	Federal Expenditures/ Disbursements	Major Program
U.S. Department of Health and Human Services				
Passed through:				
State of Utah Department of Human Services:				
Title III, Part B, Grants for Supportive Services and Senior Centers	06-0351	93.044	$ 191,238	
Title III, Part C, Nutrition Services	06-0351	93.045	243,479	
Title III, Part D, In-Home Services for Frail Older Individuals	06-0351	93.046	3,251	
Title III, Part F, Disease Prevention and Health Promotion Services	06-0351	93.043	5,223	
Title VII, Prevention of Abuse, Neglect and Exploitation of Older Individuals	06-0351	93.041	3,037	
Title VII, Chapter 2, Long-Term Care Ombudsman Services for Older Individuals	06-0351	93.042	2,273	
Medical Assistance Program	06-0350	93.778	63,745	
Health Care Financing Research, Demonstrations and Evaluations	06-0351	93.779	4,102	
Social Services Block Grant	06-0833	93.667	92,185	
Passed through:				
State of Utah Department of Community and Economic Development:				
Community Services Block Grant	05-2025 06-1131	93.569	198,111	X
Low Income Home Energy Assistance	04-1759 05-1665	93.568	249,450	
Low Income Home Energy Assistance - Heat Program	05-1362 06-1132	93.568	322,368	
Total U.S. Department of Health and Human Services			1,378,462	
Corporation for National and Community Service				
Direct:				
Senior Companion Program	06SCP	94.016	71,348	
Total Corporation for National and Community Service			71,348	

See accompanying Notes to the Schedule of Expenditures of Federal Awards.

BEAR RIVER ASSOCIATION OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

Federal Grantor/Pass through Grantor Program/Title	Contract Number	CFDA Number	Federal Expenditures/ Disbursements	Major Program
U.S. Department of Commerce				
Direct:				
EDA Agriculture Enhancement	05-88-03994	11.302	13,924	
Total U.S. Department of Commerce			13,924	
U.S. Department of Agriculture				
Direct:				
BR Heritage Internet	04-DG-11041930	10.670	2,916	
Total U.S. Department of Agriculture			2,916	
U.S. Department of Energy				
Passed through:				
State of Utah Department of Community and Economic Development:				
Weatherization Assistance for Low-Income Persons	06-0311	81.042	174,265	
Total U.S. Department of Energy			174,265	
U.S. Department of Housing and Urban Development				
Direct:				
Section 8 Housing Choice Voucher	UT026VO UT030VO	14.871	2,394,625	X
Passed through:				
State of Utah Department of Community and Economic Development:				
Supportive Housing Program	UT01B103004	14.235	48,160	
Community Development Block Grant	Various	14.228	400,334	
Emergency Shelters	05-0703	14.231	25,000	
HOME Investment Partnerships Program	05-1759 05-1357	14.239	56,113	
Total U.S. Department of Housing and Urban Development			2,924,232	

See accompanying Notes to the Schedule of Expenditures of Federal Awards.

BEAR RIVER ASSOCIATION OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

Federal Grantor/Pass through Grantor Program/Title	Contract Number	CFDA Number	Federal Expenditures/ Disbursements	Major Program
National Endowment of Arts				
Direct:				
Heritage Fieldwork	03-5500-6070	45.024	14,357	
Total National Endowment of Arts			14,357	
Federal Emergency Management Agency				
Direct:				
Federal Emergency Management Food and Shelter Program	23-8480 24-8478	97.02	28,435	
Total Federal Emergency Management Agency			28,435	
Total Expenditures of Federal Awards			$4,607,939	

See accompanying Notes to the Schedule of Expenditures of Federal Awards.

BEAR RIVER ASSOCIATION OF GOVERNMENTS
NOTES TO THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 1. PURPOSE OF THE SCHEDULE

The accompanying Schedule of Expenditures of Federal Awards is a supplementary schedule to the Association's financial statements and is presented for purposes of additional analysis. Because the schedule presents only a selected portion of the activities of the Association, it is not intended to and does not present financial position, changes in fund balances or the current funds revenues, expenditures and other changes of the Association.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Presentation

The information in the schedule is presented in accordance with OMB Circular A-133.

Federal Awards. Pursuant to the Single Audit Act of 1984 (Public Law 98-502), the Single Audit Act Amendments of 1996 (Public Law 104-156) and OMB Circular A-133, federal awards are defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance, or direct appropriations. Accordingly, non-monetary federal assistance, including federal surplus property, would be included in federal awards, if applicable, and therefore, would be reported on the schedule. Federal awards do not include direct federal cash assistance to individuals. Solicited contracts between the State and Federal government for which the Federal Government procures tangible goods or services are not considered to be federal awards.

Type A and Type B Programs. The Single Audit Act Amendments of 1996 and OMB Circular A-133 establish the levels of expenditures or expenses to be used in defining Type A and Type B federal award programs. Type A programs, for the Association, are those programs which exceed $300,000 in federal expenditures, distributions, or issuances for the fiscal year ended June 30, 2006.

2. Reporting Entity

The reporting entity is fully described in Note 1 of the Association's financial statements. The schedule includes all federal awards programs administered by the Association for the year ended June 30, 2006.

BEAR RIVER ASSOCIATION OF GOVERNMENTS
NOTES TO THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Basis of Accounting

The expenditures in the schedule are recognized as incurred based on the modified accrual basis of accounting and the cost accounting principles contained in OMB Circular A-87, *Cost Principles for State and Local Governments*. Under those cost principles certain types of expenditures are not allowable or are limited as to reimbursement.

Matching Costs. The schedule does not include matching expenditures.

Direct and Indirect Flow-Through Federal Assistance. Some of the Association's federal awards are received directly from the granting federal agency (i.e., the Association is the primary recipient). However, the majority of federal awards, as identified on the schedule, are passed through a separate entity prior to receipt by the Association (i.e., the Association is a sub-recipient).

NOTE 3. DETAIL OF AMOUNTS REPORTED ON SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

The following is a detail of the amounts listed on the Schedule of Expenditures of Federal Awards for programs with the same Catalog of Federal Domestic Assistance Numbers but more than one pass through entity contract number.

Community Development Block Grant	06-0567	$ 75,000
	06-0572	50,000
	04-1122	159,619
	05-1392	15,068
	2005-01	11,382
	03-1641	7,265
	06-1397	7,000
	05-0796	75,000
		$ 400,334

BEAR RIVER ASSOCIATION OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2006

Section I - Summary of Auditor=s Results

Financial Statements

Type of auditors' report issued:	*Unqualified*
Internal control over financial reporting:	
Material weakness(es) identified?	_____ yes __X__ no
Reportable condition(s) identified not considered to be material weaknesses?	_____ yes __X__ none reported
Noncompliance material to financial statements noted?	_____ yes __X__ no

Federal Awards

Internal Control over major programs:	
Material weakness(es) identified?	_____ yes __X__ no
Reportable condition(s) identified not considered to be material weaknesses?	_____ yes __X__ none reported
Type of auditors' report issued on compliance for major programs:	*Unqualified*
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	_____ yes __X__ no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
93.569	Community Services Block Grant
14.871	Section 8 Housing Choice Vouchers

Dollar threshold used to distinguish between Type A and Type B programs: $ 300,000

Auditee qualified as low-risk auditee? __X__ yes _____ no

BEAR RIVER ASSOCIATION OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2006

Section II - Financial Statement Findings

This section identifies the reportable conditions, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with paragraphs 5.18 through 5.20 of *Government Auditing Standards*.

There were no reportable conditions or material weaknesses noted during our audit. Accordingly, no such matters are reported.

Section III - Federal Award Findings and Questioned Costs

There were no federal award findings or questioned costs noted during our audit that were greater than $10,000. Accordingly, no such matters are reported.

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