

SOUTHWEST IOWA PLANNING COUNCIL
INCLUDING
SOUTHWEST IOWA TRANSIT AGENCY

INDEPENDENT AUDITOR'S REPORT
FINANCIAL STATEMENTS AND ACCOMPANYING INFORMATION
COMMENTS AND RECOMMENDATIONS

YEARS ENDED JUNE 30, 2004 AND 2003

SOUTHWEST IOWA PLANNING COUNCIL
INCLUDING
SOUTHWEST IOWA TRANSIT AGENCY

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SOUTHWEST IOWA PLANNING COUNCIL
INCLUDING
SOUTHWEST IOWA TRANSIT AGENCY
Officials
June 30, 2004

<u>Officers</u>	<u>Title</u>	<u>Term Expires</u>
Brad Wright	Chairperson	2-28-2005
Delbert King	Vice-Chairperson	2-28-2005
Patricia Morris	Secretary	2-28-2005
Kenneth Waters	Treasurer	2-28-2005
 <u>Executive Director</u>		
MJ Broomfield		

Gronewold, Bell, Kyhnn & Co. P.C.

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INDEPENDENT AUDITOR'S REPORT

To the Policy Council
Southwest Iowa Planning Council and
Southwest Iowa Transit Agency
Atlantic, Iowa

We have audited the accompanying balance sheets of Southwest Iowa Planning Council, including Southwest Iowa Transit Agency, as of June 30, 2004 and 2003, and the related statements of support, revenues and expenses, changes in fund balance, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 and provisions 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 audits provide a reasonable basis for our opinion.

Government Auditing Standards Board Statement #34 requires governmental entities to present Management's Discussion and Analysis with their audited financial statements. The management of Southwest Iowa Planning Council, including Southwest Iowa Transit Agency has elected to omit this required supplementary information from these bound financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southwest Iowa Planning Council, including Southwest Iowa Transit Agency, as of June 30, 2004 and 2003, and the results of its operations, changes in fund balance, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying information (shown on pages 14 and 15), is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audits 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.

To the Policy Council
Southwest Iowa Planning Council and
Southwest Iowa Transit Agency

In accordance with Government Auditing Standards, we have also issued our report dated September 22, 2004 on our consideration of Southwest Iowa Planning Council's, including Southwest Iowa Transit Agency, internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. 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.

Sporewood, Bell, Kuhlman & Co. P.C.

Atlantic, Iowa
September 22, 2004

SOUTHWEST IOWA PLANNING COUNCIL
 INCLUDING
 SOUTHWEST IOWA TRANSIT AGENCY
 Balance Sheets
 June 30,

ASSETS

	<u>2004</u>	<u>2003</u>
Current Assets:		
Cash	\$ 143,182	\$ 140,345
Accounts receivable	219,340	152,181
Prepaid expenses	<u>8,743</u>	<u>773</u>
Total current assets	371,265	293,299
Internally Designated Assets	141,109	--
Capital Assets:		
Depreciable capital assets, net	664,711	602,335
Non-depreciable capital assets	<u>17,000</u>	<u>17,000</u>
	<u>681,711</u>	<u>619,335</u>
Total assets	<u>\$ 1,194,085</u>	<u>\$ 912,634</u>

LIABILITIES AND FUND BALANCE

Current Liabilities:		
Accounts payable	\$ 162,910	\$ 33,420
Accrued employee compensation	33,311	26,079
Payroll taxes withheld and accrued	1,526	2,035
Deferred fares revenue	1,416	1,416
Deferred grant revenue	<u>--</u>	<u>7,338</u>
Total current liabilities	199,163	70,288
Fund Balance, Unrestricted	<u>994,922</u>	<u>842,346</u>
Total liabilities and fund balance	<u>\$ 1,194,085</u>	<u>\$ 912,634</u>

The accompanying notes are an integral part of these statements.

SOUTHWEST IOWA PLANNING COUNCIL
INCLUDING
SOUTHWEST IOWA TRANSIT AGENCY
Statements of Support, Revenues and Expenses
Year ended June 30,

	<u>2004</u>	<u>2003</u>
Public Support and Revenues:		
Public support	\$ 827,091	\$ 753,083
Revenues	<u>749,182</u>	<u>746,740</u>
	1,576,273	1,499,823
Expenses:		
Salaries	699,563	736,044
Bad debts	640	--
Depreciation	172,236	197,745
Dry hydrant expense	7,500	2,500
Employee benefits	35,663	36,370
Insurance	145,719	123,989
Lubricants and fuel	188,034	178,069
Miscellaneous	92	942
Payroll taxes	99,490	101,112
Postage	847	2,118
Purchased transportation	41,730	68,457
Repairs and maintenance	112,576	98,357
Space costs	35,612	10,555
Grant administration	28,289	17,135
Transit operations	<u>42,875</u>	<u>68,719</u>
	<u>1,610,866</u>	<u>1,642,112</u>
Loss from Operations	(34,593)	(142,289)
Non-Operating Revenue:		
Interest income	621	855
Capital grants	154,781	--
Gain on sale of assets	<u>31,767</u>	<u>10,989</u>
	<u>187,169</u>	<u>11,844</u>
Excess of Support and Revenues Over Expenses (Expenses Over Support and Revenues) and Increase (Decrease) in Unrestricted Fund Balance	<u>\$ 152,576</u>	<u>\$(130,445)</u>

The accompanying notes are an integral part of these statements.

SOUTHWEST IOWA PLANNING COUNCIL
 INCLUDING
 SOUTHWEST IOWA TRANSIT AGENCY
 Statements of Changes in Fund Balance
 Year ended June 30,

	2004	2003
Balance, Beginning	\$ 842,346	\$ 972,791
Excess of Support and Revenues Over Expenses (Expenses Over Support and Revenues)	152,576	(130,445)
Balance, Ending	\$ 994,922	\$ 842,346

The accompanying notes are an integral part of these statements.

SOUTHWEST IOWA PLANNING COUNCIL
INCLUDING
SOUTHWEST IOWA TRANSIT AGENCY
Statements of Cash Flows
Year ended June 30,

	<u>2004</u>	<u>2003</u>
Cash flows from operating activities:		
Cash received from customers and agencies	\$ 1,576,490	\$ 1,454,900
Cash paid to suppliers	(711,556)	(703,775)
Cash paid to employees	(692,331)	(730,904)
Net cash provided by operating activities	<u>172,603</u>	<u>20,221</u>
Cash flows from capital and related financing activities:		
Capital expenditures	(144,832)	(23,745)
Proceeds from capital grants	79,427	--
Proceeds from sale of assets	<u>36,127</u>	<u>11,031</u>
Net cash used in capital and related financing activities	(29,278)	(12,714)
Cash flows from investing activities:		
Interest received	<u>621</u>	<u>855</u>
Net increase in cash	143,946	8,362
Cash at beginning of year	<u>140,345</u>	<u>131,983</u>
Cash at end of year	<u>\$ 284,291</u>	<u>\$ 140,345</u>
Reconciliation of cash to the balance sheets:		
Cash in current assets	\$ 143,182	\$ 140,345
Cash in designated assets	<u>141,109</u>	<u>--</u>
Total cash at end of year	<u>\$ 284,291</u>	<u>\$ 140,345</u>
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$(34,593)	\$(142,289)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation	172,236	197,745
Bad debts	640	--
Change in assets and liabilities		
Accounts receivable, operating	7,555	(41,749)
Prepaid expenses	(7,970)	71
Accounts payable, trade	35,350	2,442
Accrued employee compensation	7,232	5,140
Payroll taxes withheld and accrued	(509)	2,035
Deferred fares revenue	--	(424)
Deferred grant revenue	(7,338)	(2,750)
Total adjustments	<u>207,196</u>	<u>162,510</u>
Net cash provided by operating activities	<u>\$ 172,603</u>	<u>\$ 20,221</u>

The accompanying notes are an integral part of these statements.

SOUTHWEST IOWA PLANNING COUNCIL
INCLUDING
SOUTHWEST IOWA TRANSIT AGENCY
Notes to Financial Statements
June 30, 2004 and 2003

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES

A summary of the Organization's significant accounting policies applied in the preparation of the accompanying financial statements follows.

1. Reporting Entity

Southwest Iowa Planning Council is a voluntary organization formed by the representatives of Harrison, Shelby, Cass, Fremont, Pottawattamie, Mills, Montgomery and Page counties in accordance with Chapter 28E of the Code of Iowa. The purpose of the Organization is to make comprehensive studies and plans for the development of the area it serves, to eliminate planning duplications, to promote governmental economy and efficiency, and to otherwise guide the unified development of the area. The Organization is governed by a seventeen member council appointed for one year terms. Southwest Iowa Transit Agency was formed to administer the transit services for District 13. The Transit Agency is not a separate and distinct entity from the Planning Council. As a combined group of political subdivisions, the Organization is exempt from income taxes.

The Organization has considered all potential component units for which it is financially accountable, and other entities for which the nature and significance of their relationship with the Organization are such that exclusion would cause the Organization's financial statements to be misleading or incomplete. The criteria for determining financial accountability include: appointing a majority of an entity's governing body, and (a) the Organization's ability to impose its will on that entity, or (b) the potential for the entity to provide benefits to or impose financial burdens on the Organization. The Organization has no component units.

2. Fund Accounting

The accounts of the Organization are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund balance, support, revenues and expenditures. The various kinds of funds are indicated below:

Unrestricted Funds - The Unrestricted Funds account for resources not restricted for identified purposes by donors and grantors. These funds represent resources over which the Organization has discretionary control to use in carrying on its operations.

The accompanying financial statements have been prepared using the proprietary fund method of accounting whereby revenues and expenses are recognized on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Revenues are recognized when earned and expenses are recorded when the liability is incurred.

SOUTHWEST IOWA PLANNING COUNCIL
INCLUDING
SOUTHWEST IOWA TRANSIT AGENCY
Notes to Financial Statements
June 30, 2004 and 2003

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES – Continued

3. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

4. Accounting Standards

The Organization reports its financial activity in accordance with all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as applicable Financial Accounting Standards Board (FASB) pronouncements unless those pronouncements conflict with or contradict GASB pronouncements.

5. Accounts Receivable

The Organization considers accounts receivable to be fully collectible, accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

6. Property and Equipment

Property and equipment acquisitions are recorded at cost. The Organization computes depreciation using the straight-line method. The useful life of the building is forty years. The useful lives of vehicles and equipment range from five to ten years. Property and equipment and depreciation expense were not recorded by the Organization prior to 1985.

7. Grant Revenue

Grant proceeds for operating activities are recorded in income as they are earned and are reported as a part of transit and planning council support and revenues. Capital grants are recorded as non-operating revenue. Grant proceeds received but not expended are shown as a deferred revenue on the balance sheet.

8. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

SOUTHWEST IOWA PLANNING COUNCIL
 INCLUDING
 SOUTHWEST IOWA TRANSIT AGENCY
 Notes to Financial Statements
 June 30, 2004 and 2003

NOTE B - DEPOSITS

The Organization's deposits at June 30, 2004 were entirely covered by federal depository insurance or the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds. The investments are all insured, registered, or held by the Organization.

The Organization is authorized by statute to invest public funds in obligations of the United States Government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Policy Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The composition of internally designated assets, which consists entirely of cash, is as follows:

	2004	2003
Internally Designated Assets:		
Building replacement	\$ 9,016	\$ --
Equipment replacement	11,805	--
Vehicle replacement	120,288	--
	\$ 141,109	\$ --

SOUTHWEST IOWA PLANNING COUNCIL
INCLUDING
SOUTHWEST IOWA TRANSIT AGENCY
Notes to Financial Statements
June 30, 2004 and 2003

NOTE C - CAPITAL ASSETS

Capital assets, additions, disposals and balances for the years ended June 30, 2004 and 2003 were as follows:

<u>Cost</u>	<u>Balance 2003</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 2004</u>
Land Improvements	\$ 15,392	\$ 38,400	\$ --	\$ 53,792
Buildings	233,902	--	--	233,902
Equipment	165,779	16,216	382	181,613
Vehicles	<u>1,943,596</u>	<u>184,356</u>	<u>272,201</u>	<u>1,855,751</u>
	2,358,669	238,972	272,583	2,325,058
<u>Depreciation</u>				
Land Improvements	8,561	2,788	--	11,349
Buildings	55,552	5,847	--	61,399
Equipment	133,953	6,866	382	140,437
Vehicles	<u>1,558,268</u>	<u>156,735</u>	<u>267,841</u>	<u>1,447,162</u>
Total Depreciation	<u>1,756,334</u>	<u>172,236</u>	<u>268,223</u>	<u>1,660,347</u>
Depreciable Capital Assets, Net	<u>\$ 602,335</u>	<u>\$ 66,736</u>	<u>\$ 4,360</u>	<u>\$ 664,711</u>
Non-Depreciable Capital Assets: Land	<u>\$ 17,000</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 17,000</u>
<u>Cost</u>	<u>Balance 2002</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 2003</u>
Land Improvements	\$ 15,392	\$ --	\$ --	\$ 15,392
Buildings	233,902	--	--	233,902
Equipment	168,919	8,012	11,152	165,779
Vehicles	<u>1,981,721</u>	<u>20,052</u>	<u>58,177</u>	<u>1,943,596</u>
	2,399,934	28,064	69,329	2,358,669
<u>Depreciation</u>				
Land Improvements	7,004	1,557	--	8,561
Buildings	49,704	5,848	--	55,552
Equipment	128,152	6,307	506	133,953
Vehicles	<u>1,438,697</u>	<u>184,033</u>	<u>64,462</u>	<u>1,558,268</u>
Total Depreciation	<u>1,623,557</u>	<u>197,745</u>	<u>64,968</u>	<u>1,756,334</u>
Depreciable Capital Assets, Net	<u>\$ 776,377</u>	<u>\$ (169,681)</u>	<u>\$ 4,361</u>	<u>\$ 602,335</u>
Non-Depreciable Capital Assets: Land	<u>\$ 17,000</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 17,000</u>

SOUTHWEST IOWA PLANNING COUNCIL
INCLUDING
SOUTHWEST IOWA TRANSIT AGENCY
Notes to Financial Statements
June 30, 2004 and 2003

NOTE D - PENSION AND RETIREMENT BENEFITS

The Organization 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 3.70% of their annual salary and the Organization is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The Organization's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were approximately \$39,600, \$41,400, and \$37,800, respectively, equal to the required contributions for each year.

NOTE E - CONTINGENCIES

Risk Management

The Organization is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage during the past three years.

Litigation

The Organization has been named as a defendant in a suit filed by a former employee alleging wrongful termination. The action is in its early stages and legal counsel is unable to evaluate the eventual outcome of the suit. Therefore, no related liability has been accrued.

NOTE F - ECONOMIC DEPENDENCY

The Organization received approximately 18% of its total support and revenue through its contract with the Iowa Department of Transportation for the year ended June 30, 2004 (21% for 2003). The Organization's contract with the Iowa Department of Transportation has been renewed with a 6.1% increase for fiscal year ending June 30, 2005.

SOUTHWEST IOWA PLANNING COUNCIL
 INCLUDING
 SOUTHWEST IOWA TRANSIT AGENCY
 Notes to Financial Statements
 June 30, 2004 and 2003

NOTE G - CONCENTRATION OF CREDIT RISK

The Organization grants credit without collateral to its clients, most of whom are area residents and local governments. The mix of receivables at June 30, 2004 and 2003, was as follows:

	2004	2003
Local governments	76%	54%
Area businesses	24	46
	100%	100%

* * *

ACCOMPANYING INFORMATION

SOUTHWEST IOWA PLANNING COUNCIL
INCLUDING
SOUTHWEST IOWA TRANSIT AGENCY
Schedules of Transit Agency Support, Revenues and Expenses
Year ended June 30,

	<u>2004</u>	<u>2003</u>
Public Support and Revenues:		
Public support:		
Iowa Department of Transportation	\$ 279,767	\$ 308,582
Other state assistance	82,981	70,030
Federal Department of Transportation	230,738	174,446
County assistance	96,640	88,000
Local assistance	<u>25,250</u>	<u>27,250</u>
	<u>715,376</u>	<u>668,308</u>
Revenues:		
Fares	630,447	611,839
Other	<u>22,432</u>	<u>33,196</u>
	<u>652,879</u>	<u>645,035</u>
Total public support and revenues	1,368,255	1,313,343
Expenses:		
Salaries	559,574	617,071
Bad debts	640	--
Depreciation	164,686	191,561
Employee benefits	20,791	22,703
Insurance	143,668	121,230
Lubricants and fuel	188,034	178,069
Payroll taxes	89,833	84,900
Purchased transportation	41,730	68,457
Repairs and maintenance	112,576	98,357
Space costs	32,278	3,114
Transit operations	<u>42,875</u>	<u>68,719</u>
	<u>1,396,685</u>	<u>1,454,181</u>
Loss from Operations	(28,430)	(140,838)
Non-Operating Revenue:		
Interest income	562	786
Capital grants	138,874	--
Gain on sale of assets	<u>31,767</u>	<u>10,989</u>
	<u>171,203</u>	<u>11,775</u>
Excess of Support and Revenues Over Expenses (Expenses Over Support and Revenues)	<u>\$ 142,773</u>	<u>\$ (129,063)</u>

See Independent Auditor's Report.

SOUTHWEST IOWA PLANNING COUNCIL
INCLUDING
SOUTHWEST IOWA TRANSIT AGENCY
Schedules of Planning Council Support, Revenues and Expenses
Year ended June 30,

	2004	2003
Public Support and Revenues:		
Public support:		
Federal Surface Transportation Planning Program	\$ 28,574	\$ 20,000
Federal Regional Transportation Planning	5,000	--
Economic Development Technical Assistance Grant	9,376	9,375
Dry Hydrant Grant	7,338	2,750
City and county dues	61,427	52,650
	111,715	84,775
Revenues:		
Community Development Block Grant administration	96,268	91,425
Other	35	10,280
	96,303	101,705
Total public support and revenues	208,018	186,480
Expenses:		
Salaries	139,989	118,973
Depreciation	7,550	6,184
Dry hydrant expense	7,500	2,500
Employee benefits	14,872	13,667
Insurance	2,051	2,759
Miscellaneous	92	942
Payroll taxes	9,657	16,212
Postage	847	2,118
Space costs	3,334	7,441
Grant administration	28,289	17,135
	214,181	187,931
Loss from Operations	(6,163)	(1,451)
Non-Operating Revenue:		
Interest income	59	69
Capital grants	15,907	--
	15,966	69
Excess of Support and Revenues Over Expenses (Expenses Over Support and Revenues)	\$ 9,803	\$(1,382)

See Independent Auditor's Report.

COMMENTS AND RECOMMENDATIONS

Gronewold, Bell, Kyhnn & Co. P.C.

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DAVID A. GINTHER

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Policy Council
Southwest Iowa Planning Council
and Southwest Iowa Transit Agency

We have audited the financial statements of Southwest Iowa Planning Council, including Southwest Iowa Transit Agency, as of and for the year ended June 30, 2004, and have issued our report thereon dated September 22, 2004. We conducted our 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.

Compliance

As part of obtaining reasonable assurance about whether Southwest Iowa Planning Council's, including Southwest Iowa Transit Agency, financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the Organization's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Organization. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved.

To the Policy Council
Southwest Iowa Planning Council
and Southwest Iowa Transit Agency

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Southwest Iowa Planning Council's, including Southwest Iowa Transit Agency, internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Southwest Iowa Planning Council's, including Southwest Iowa Transit Agency, ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

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 misstatements 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described in the Schedule of Findings, we believe item 04-I-A is a material weakness. Prior year reportable conditions have been resolved except for item 04-I-A.

This report, a public record by law, is intended solely for the information and use of Southwest Iowa Planning Council, including Southwest Iowa Transit Agency, and other parties to whom the Organization may report. This report is not intended to be and should not be used by anyone other than these specified parties.

Stonewold, Bell, Kuhlman & Co. P.C.

Atlantic, Iowa
September 22, 2004

SOUTHWEST IOWA PLANNING COUNCIL
INCLUDING
SOUTHWEST IOWA TRANSIT AGENCY

Schedule of Findings

Year ended June 30, 2004

PART I: REPORTABLE CONDITIONS

04-I-A Segregation of Duties: A limited number of people have the primary responsibility for most of the accounting and financial duties. As a result, some of those aspects of internal accounting control which rely upon an adequate segregation of duties are, for all practical purposes, missing in the Organization.

Recommendation: We recognize that it may not be economically feasible for the Organization to employ additional personnel for the sole purpose of segregating duties, however, it is our professional responsibility to bring this control deficiency to your attention. We recommend that the Council be aware of the lack of segregation of duties and that they act as an oversight group to the accounting personnel.

Response: The Council is aware of this lack of segregation of duties and will continue on an ongoing basis to act as an oversight group.

Conclusion: Response accepted.

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