

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, 2006 AND 2005

SOUTHWEST IOWA PLANNING COUNCIL  
INCLUDING  
SOUTHWEST IOWA TRANSIT AGENCY

CONTENTS

	<u>Page</u>
OFFICIALS	1
INDEPENDENT AUDITOR'S REPORT	2
FINANCIAL STATEMENTS:	
Balance Sheets	4
Statements of Support, Revenues, Expenses and Changes in Net Assets	5
Statements of Cash Flows	6
Notes to Financial Statements	7
ACCOMPANYING INFORMATION:	
Schedule of Expenditures of Federal Awards	13
Schedules of Transit Agency Support, Revenues and Expenses	14
Schedules of Planning Council Support, Revenues and Expenses	15
COMMENTS AND RECOMMENDATIONS:	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	16
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	18
Schedule of Findings and Questioned Costs	20

SOUTHWEST IOWA PLANNING COUNCIL  
INCLUDING  
SOUTHWEST IOWA TRANSIT AGENCY  
Officials  
June 30, 2006

<u>Officers</u>	<u>Title</u>	<u>Term Expires</u>
Delbert King	Chairperson	2-28-2007
Richard Crouch	Vice-Chairperson	2-28-2007
Patricia Morris	Secretary	2-28-2007
Frank Spillers	Treasurer	2-28-2007
 <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, 2006 and 2005, and the related statements of support, revenues, expenses, and changes in net assets, 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 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 audits provide a reasonable basis for our opinion.

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, 2006 and 2005, and the results of its operations, changes in net assets, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Organization has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In accordance with Government Auditing Standards, we have also issued our report dated October 16, 2006 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, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

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 13 through 15) including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in 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.

*Donald, Bell, Kyles & Co. P.C.*

Atlantic, Iowa  
October 16, 2006

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

ASSETS

	2006	2005
<b>Current Assets:</b>		
Cash	\$ 29,385	\$ 241,827
Accounts receivable	439,786	342,950
Prepaid expenses	69,665	1,313
Internally designated assets	2,178	232,478
Total current assets	541,014	818,568
 <b>Designated Assets:</b>		
Internally designated assets	328,465	242,333
Less amounts required to meet current liabilities	( 2,178)	( 232,478)
	326,287	9,855
 <b>Capital Assets:</b>		
Depreciable capital assets, net	1,098,687	800,745
Non-depreciable capital assets	17,000	17,000
	1,115,687	817,745
 Total assets	\$ 1,982,988	\$ 1,646,168

LIABILITIES AND NET ASSETS

<b>Current Liabilities:</b>		
Accounts payable	\$ 91,767	\$ 302,412
Accrued employee compensation	49,440	38,113
Payroll taxes withheld and accrued	--	146
Deferred fares revenue	1,416	1,416
Deferred grant revenue	25,000	--
Total current liabilities	167,623	342,087
 <b>Net Assets:</b>		
Invested in capital assets, net of related debt	1,115,687	817,745
Unrestricted	699,678	486,336
Total net assets	1,815,365	1,304,081
 Total liabilities and net assets	\$ 1,982,988	\$ 1,646,168

The accompanying notes are an integral part of these statements.

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

	2006	2005
Public Support and Revenues:		
Public support	\$ 1,413,736	\$ 963,001
Revenues	812,402	737,023
	2,226,138	1,700,024
Expenses:		
Salaries	697,583	663,310
Bad debts	2,006	2,648
Depreciation	228,124	181,229
Employee benefits	61,788	41,754
Grant administration	34,177	23,799
FHLB assistance expense	398,885	--
Insurance	161,792	138,642
Lubricants and fuel	250,533	209,842
Miscellaneous	--	56
Payroll taxes	100,864	95,485
Postage	2,590	1,165
Purchased transportation	60,176	51,011
Repairs and maintenance	93,000	92,697
Space costs	36,554	32,415
Transit operations	88,182	114,516
	2,216,254	1,648,569
Income from Operations	9,884	51,455
Non-Operating Revenue:		
Interest income	6,987	2,596
Capital grants	468,952	253,326
Gain on sale of assets	25,461	1,782
	501,400	257,704
Excess of Support and Revenues Over Expenses and Increase in Net Assets	511,284	309,159
Net Assets Beginning of Year	1,304,081	994,922
Net Assets End of Year	\$ 1,815,365	\$ 1,304,081

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>2006</u>	<u>2005</u>
Cash flows from operating activities:		
Cash received from customers and agencies	\$ 2,021,372	\$ 1,680,808
Cash paid to suppliers	( 1,337,384)	( 794,168)
Cash paid to employees	( 686,256)	( 658,508)
Net cash provided by (used in ) operating activities	( 2,268)	228,132
Cash flows from capital and related financing activities:		
Capital expenditures	( 770,688)	( 181,800)
Proceeds from capital grants	599,876	146,284
Proceeds from sale of assets	<u>39,783</u>	<u>4,657</u>
Net cash used in capital and related financing activities	( 131,029)	( 30,859)
Cash flows from investing activities:		
Interest received	<u>6,987</u>	<u>2,596</u>
Net increase (decrease) in cash	( 126,310)	199,869
Cash at beginning of year	<u>484,160</u>	<u>284,291</u>
Cash at end of year	<u>\$ 357,850</u>	<u>\$ 484,160</u>
Reconciliation of cash to the balance sheets:		
Cash in current assets	\$ 29,385	\$ 241,827
Cash in designated assets	<u>328,465</u>	<u>242,333</u>
Total cash at end of year	<u>\$ 357,850</u>	<u>\$ 484,160</u>
Reconciliation of operating income to net cash provided by (used in) operating activities:		
Operating income	\$ 9,884	\$ 51,455
Adjustments to reconcile operating income to net cash provided by (used in) operating activities		
Depreciation	228,124	181,229
Bad debts	2,006	2,648
Change in assets and liabilities		
Accounts receivable, operating	( 229,766)	( 19,216)
Prepaid expenses	( 68,352)	7,430
Accounts payable, trade	19,655	1,164
Accrued employee compensation	11,327	4,802
Payroll taxes withheld and accrued	( 146)	( 1,380)
Deferred fares revenue	<u>25,000</u>	<u>--</u>
Total adjustments	<u>( 12,152)</u>	<u>176,677</u>
Net cash provided by (used in) operating activities	<u>\$( 2,268)</u>	<u>\$ 228,132</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, 2006 and 2005

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, net assets, 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, 2006 and 2005

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. Investments

Investments are reported at fair value except for short-term highly liquid investments that have a remaining maturity at the time they are purchased of one year or less. These investments are carried at amortized cost. Interest, dividends, and gains and losses, both realized and unrealized, on investments are included in non-operating revenue when earned, unless restricted by donor or law.

7. Capital Assets

The Organization's capital assets are reported at historical cost. Contributed capital assets are reported at their estimated fair value at the time of their donation. Capital assets with lives in excess of four years and cost in excess of \$1,000 are capitalized. These capital assets, other than land, are depreciated or amortized (in the case of capital leases) using the straight-line method of depreciation using their estimated useful lives (ten to forty years for buildings and land improvements and five to ten years for equipment). Capital assets and depreciation expense were not recorded by the Organization prior to 1985.

8. Compensated Absences

Full-time employees of the Organization earn paid time off hours at varying rates depending on years of service, up to a maximum of 144 hours per year. Paid time off up to a maximum of 80 hours may be carried over to the subsequent calendar year. Any excess over 200 hours accumulated by January 1 of each year is lost. The computed amount of paid time off earned by year end is recorded as part of accrued employee compensation.

SOUTHWEST IOWA PLANNING COUNCIL  
INCLUDING  
SOUTHWEST IOWA TRANSIT AGENCY  
Notes to Financial Statements  
June 30, 2006 and 2005

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

9. 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.

10. 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.

11. Net Assets

Net assets of the Organization are classified in four components. *Net assets invested in capital assets net of related debt* consist of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted expendable net assets* are noncapital net assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Organization. *Restricted nonexpendable net assets* equal the principal portion of permanent endowments. *Unrestricted net assets* are remaining net assets that do not meet the definition of *invested in capital assets net of related debt or restricted*.

NOTE B - DESIGNATED NET ASSETS

Of the \$699,678 (\$486,336 as of June 30, 2005) of unrestricted net assets as of June 30, 2006, \$328,465 (\$242,333 for 2005) has been designated by the Organization's Policy Council for capital acquisitions. These assets remain under the control of the Policy Council, which may, at its discretion, later use the funds for other purposes.

NOTE C - DEPOSITS

The Organization's deposits at June 30, 2006 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. Investments are stated as indicated in Note A.

SOUTHWEST IOWA PLANNING COUNCIL  
INCLUDING  
SOUTHWEST IOWA TRANSIT AGENCY  
Notes to Financial Statements  
June 30, 2006 and 2005

NOTE C - DEPOSITS - Continued

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:

	2006	2005
Internally Designated Assets:		
Building replacement	\$ 43,236	\$ 29,336
Equipment replacement	16,966	16,706
Vehicle replacement	268,263	196,291
	\$ 328,465	\$ 242,333

NOTE D - CAPITAL ASSETS

Capital assets, additions, disposals and balances for the years ended June 30, 2006 and 2005 were as follows:

Cost	Balance 2005	Additions	Disposals	Balance 2006
Land Improvements	\$ 62,217	\$ --	\$ --	\$ 62,217
Buildings	233,902	--	--	233,902
Equipment	212,856	31,515	--	244,371
Vehicles	2,121,531	508,873	562,104	2,068,300
	2,630,506	540,388	562,104	2,608,790
<u>Depreciation</u>				
Land Improvements	15,090	3,774	--	18,864
Buildings	67,246	5,848	--	73,094
Equipment	148,602	22,151	--	170,753
Vehicles	1,598,823	196,351	547,782	1,247,392
Total Depreciation	1,829,761	228,124	547,782	1,510,103
Depreciable Capital Assets, Net	\$ 800,745	\$ 312,264	\$ 14,322	\$ 1,098,687
Non-Depreciable Capital Assets:				
Land	\$ 17,000	\$ --	\$ --	\$ 17,000

SOUTHWEST IOWA PLANNING COUNCIL  
INCLUDING  
SOUTHWEST IOWA TRANSIT AGENCY  
Notes to Financial Statements  
June 30, 2006 and 2005

NOTE D - CAPITAL ASSETS - Continued

<u>Cost</u>	<u>Balance 2004</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 2005</u>
Land Improvements	\$ 54,317	\$ 7,900	\$ --	\$ 62,217
Buildings	233,902	--	--	233,902
Equipment	166,440	47,806	1,390	212,856
Vehicles	<u>1,870,399</u>	<u>264,432</u>	<u>13,300</u>	<u>2,121,531</u>
	2,325,058	320,138	14,690	2,630,506
<u>Depreciation</u>				
Land Improvements	11,349	3,741	--	15,090
Buildings	61,399	5,847	--	67,246
Equipment	140,437	9,212	1,047	148,602
Vehicles	<u>1,447,162</u>	<u>162,429</u>	<u>10,768</u>	<u>1,598,823</u>
Total Depreciation	<u>1,660,347</u>	<u>181,229</u>	<u>11,815</u>	<u>1,829,761</u>
Depreciable Capital Assets, Net	<u>\$ 664,711</u>	<u>\$ 138,909</u>	<u>\$ 2,875</u>	<u>\$ 800,745</u>
Non-Depreciable Capital Assets:				
Land	<u>\$ 17,000</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 17,000</u>

NOTE E - 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, 2006, 2005, and 2004 were approximately \$39,300, \$37,500, and \$39,600, respectively, equal to the required contributions for each year.

SOUTHWEST IOWA PLANNING COUNCIL  
 INCLUDING  
 SOUTHWEST IOWA TRANSIT AGENCY  
 Notes to Financial Statements  
 June 30, 2006 and 2005

NOTE F - CONTINGENCY

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.

NOTE G - ECONOMIC DEPENDENCY

The Organization received approximately 15% of its total support and revenue through its contract with the Iowa Department of Transportation for the year ended June 30, 2006 (21% for 2005). The Organization's contract with the Iowa Department of Transportation has been renewed with a 1.0% increase for fiscal year ending June 30, 2007.

NOTE H - CONCENTRATION OF CREDIT RISK

The Organization grants credit without collateral to its clients, most of whom are area businesses and local governments. The mix of receivables at June 30, 2006 and 2005, was as follows:

	2006	2005
Local governments	44%	74%
Area businesses	56	26
	100%	100%

NOTE I - BUDGETS AND BUDGETARY ACCOUNTING

The budgetary comparison and related disclosures are not reported as Required Supplementary Information. As there is no legal requirement to adopt a budget, GASB 34 does not require this disclosure.

\* \* \*

ACCOMPANYING INFORMATION

SOUTHWEST IOWA PLANNING COUNCIL  
INCLUDING  
SOUTHWEST IOWA TRANSIT AGENCY  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2006

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Grant or Number</u>
U.S. Department of Transportation		
Indirect Programs		
Iowa Department of Transportation		
Capital Investment Assistance Project	20.500	03-0103-130-04
Capital Investment Assistance Project	20.500	03-0104-130-05
Non-Urban Operating Assistance Project	20.509	18-4027-130-06
Non-Urban Capital Assistance Project	20.509	18-0027-130-05
Non-Urban Capital Assistance Project	20.509	18-0028-130-06
ITS Deployment Project	20.509	ITS-130
Training Fellowship	20.509	TF 2006-039
Training Fellowship	20.509	TF 2006-047
Training Fellowship	20.509	TF 2006-190
United We Ride	20.514	26-0003-013-06
SFY2006 Transportation Planning Work Program	20.515	06RPA-13
ITS Deployment Project	20.515	ITS-130
Job Access/Reverse Commute Project	20.516	37-X010-130-05
Job Access/Reverse Commute Project	20.516	37-X011-130-06

Total Expenditures of Federal Awards

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Southwest Iowa Planning Council, including Southwest Iowa Transit Agency, and is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

See accompanying independent auditor's report.

<u>Period of Grant</u>	<u>Federal Expenditures</u>
07/01/04 to 06/30/06	\$ 160,500
11/29/04 to 06/30/07	243,744
07/01/05 to 06/30/06	235,641
10/01/04 to 09/30/07	31,071
10/01/05 to 06/30/08	12,269
09/01/04 to 04/30/06	21,569
07/01/05 to 06/30/06	339
07/01/05 to 06/30/06	109
07/01/05 to 06/30/06	157
01/01/06 to 06/30/06	1,900
07/01/05 to 06/30/06	26,904
09/01/04 to 04/30/06	43,139
07/01/04 to 06/30/07	1,055
10/01/05 to 03/21/08	<u>5,223</u>
	<u>\$ 783,620</u>

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

	<u>2006</u>	<u>2005</u>
Public Support and Revenues:		
Public support:		
Iowa Department of Transportation	\$ 338,569	\$ 351,083
Other state assistance	198,809	137,659
Federal Department of Transportation	285,864	271,420
County assistance	64,191	76,695
Local assistance	<u>28,000</u>	<u>29,217</u>
	<u>915,433</u>	<u>866,074</u>
Revenues:		
Fares	607,291	597,685
Other	<u>17,776</u>	<u>20,250</u>
	<u>625,067</u>	<u>617,935</u>
Total public support and revenues	1,540,500	1,484,009
Expenses:		
Salaries	537,323	534,689
Bad debts	1,968	2,648
Depreciation	220,361	174,047
Employee benefits	39,200	24,394
Insurance	159,486	137,593
Lubricants and fuel	250,533	209,842
Payroll taxes	78,214	76,853
Purchased transportation	60,176	51,011
Repairs and maintenance	93,000	92,697
Space costs	33,114	29,837
Transit operations	<u>88,182</u>	<u>114,516</u>
	<u>1,561,557</u>	<u>1,448,127</u>
Income (Loss) from Operations	( 21,057)	35,882
Non-Operating Revenue:		
Interest income	6,905	2,454
Capital grants	468,952	253,326
Gain on sale of assets	<u>25,461</u>	<u>2,125</u>
	<u>501,318</u>	<u>257,905</u>
Excess of Support and Revenues Over Expenses	<u>\$ 480,261</u>	<u>\$ 293,787</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,

	2006	2005
Public Support and Revenues:		
Public support:		
Federal Department of Transportation	\$ 28,804	\$ 26,124
Economic Development Technical Assistance		
Grant	9,376	9,375
FHLB Assistance Grant	392,541	--
City and county dues	<u>67,582</u>	<u>61,428</u>
	<u>498,303</u>	<u>96,927</u>
Revenues:		
General administration and contracts	187,335	118,482
Other	<u>--</u>	<u>606</u>
	<u>187,335</u>	<u>119,088</u>
Total public support and revenues	685,638	216,015
Expenses:		
Salaries	160,260	128,621
Bad debts	38	--
Depreciation	7,763	7,182
Employee benefits	22,588	17,360
Grant administration	34,177	23,799
FHLB assistance expense	398,885	--
Insurance	2,306	1,049
Miscellaneous	--	56
Payroll taxes	22,650	18,632
Postage	2,590	1,165
Space costs	<u>3,440</u>	<u>2,578</u>
	<u>654,697</u>	<u>200,442</u>
Income from Operations	30,941	15,573
Non-Operating Revenue (Expense):		
Interest income	82	142
Loss on sale of assets	<u>--</u>	<u>( 343)</u>
	<u>82</u>	<u>( 201)</u>
Excess of Support and Revenues Over Expenses	<u>\$ 31,023</u>	<u>\$ 15,372</u>

See Independent Auditor's Report.

**COMMENTS AND RECOMMENDATIONS**

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

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Independent Auditor's Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the 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, 2006, and have issued our report thereon dated October 16, 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 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 II of the accompanying Schedule of Findings and Questioned Costs.

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 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. 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 and Questioned Costs, we believe item 06-II-A is a material weakness.

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

Compliance and Other Matters

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, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of 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, 2006 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.

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, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

*Armstrong, Bell, Kuhn + Co. P.C.*

Atlantic, Iowa  
October 16, 2006

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

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## Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

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

### Compliance

We have audited the compliance of Southwest Iowa Planning Council, including Southwest Iowa Transit Agency 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 its major federal programs for the year ended June 30, 2006. Southwest Iowa Planning Council's, including Southwest Iowa Transit Agency, major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs are the responsibility of Southwest Iowa Planning Council's, including Southwest Iowa Transit Agency, management. Our responsibility is to express an opinion on Southwest Iowa Planning Council's, including Southwest Iowa Transit Agency, 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 Southwest Iowa Planning Council's, including Southwest Iowa Transit Agency, compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Southwest Iowa Planning Council's, including Southwest Iowa Transit Agency, compliance with those requirements.

In our opinion, Southwest Iowa Planning Council, including Southwest Iowa Transit Agency complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2006.

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

### Internal Control Over Compliance

The management of Southwest Iowa Planning Council, including Southwest Iowa Transit Agency is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Southwest Iowa Planning Council's, including Southwest Iowa Transit Agency, 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.

We noted certain matters involving the internal control over compliance 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 compliance that, in our judgment, could adversely affect Southwest Iowa Planning Council's, including Southwest Iowa Transit Agency, ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grant agreements. Reportable conditions are described in Part III of the accompanying Schedule of Findings and Questioned Costs as item 06-III-A.

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 grant agreements 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. Our consideration of the internal control over compliance 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 above, we consider item 06-III-A to be a material weakness.

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, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

*Donerold, Bell, Kuhlman + Co. P.C.*

Atlantic, Iowa  
October 16, 2006

SOUTHWEST IOWA PLANNING COUNCIL  
INCLUDING  
SOUTHWEST IOWA TRANSIT AGENCY

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) Reportable conditions in internal control over the major programs were disclosed by the audit of the financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - CFDA Number 20.509 - Non-Urban Assistance Projects
  - CFDA Number 20.500 - Capital Investment Assistance Projects
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Southwest Iowa Planning Council, including Southwest Iowa Transit Agency did not qualify as a low-risk auditee.

SOUTHWEST IOWA PLANNING COUNCIL  
INCLUDING  
SOUTHWEST IOWA TRANSIT AGENCY

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

Part II: Findings Related to the Financial Statements:

INSTANCES OF NONCOMPLIANCE:

There were no instances of noncompliance noted for the year ended June 30, 2006.

REPORTABLE CONDITIONS:

06-II-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. The Organization has also made some changes in its procedures to separate the cash receipt and cash depositing/general ledger posting functions to provide a better segregation of duties.

Conclusion: Response accepted.

\* \* \*

SOUTHWEST IOWA PLANNING COUNCIL  
INCLUDING  
SOUTHWEST IOWA TRANSIT AGENCY

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NONCOMPLIANCE:

There were no instances of noncompliance noted for the year ended June 30, 2006.

REPORTABLE CONDITIONS:

CFDA Number 20.509 - Non-Urban Assistance Projects  
Pass-through Numbers: 18-4027-130-06, 18-0027-130-05, 18-0028-130-06, ITS-130,  
TF 2006-039, TF 2006-047 and TF 2006-190  
Federal Award Year: 2005 and 2006  
U.S. Department of Transportation  
Passed through the Iowa Department of Transportation

CFDA Number 20.500 - Capital Investment Assistance Projects  
Pass-through Numbers: 03-0103-130-04 and 03-0104-130-05  
Federal Award Year: 2005 and 2006  
U.S. Department of Transportation  
Passed through the Iowa Department of Transportation

06-III-A Segregation of Duties over Federal Revenues and Expenditures - The Organization did not properly segregate custody, record-keeping and reconciling functions for revenues and expenditures, including those related to Federal programs. See audit finding 06-II-A.

\* \* \*

SOUTHWEST IOWA PLANNING COUNCIL  
INCLUDING  
SOUTHWEST IOWA TRANSIT AGENCY

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

Part IV: Other Findings Related to Required Statutory Reporting:

- 06-IV-A Questionable Expenditures - No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- 06-IV-B Travel Expense - No expenditures of Organization money for travel expenses of spouses of Organization officials or employees were noted.
- 06-IV-C Business Transactions - No business transactions between the Organization and Organization officials or employees were noted.
- 06-IV-D Bond Coverage - Surety bond coverage of Organization officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 06-IV-E Board Minutes - No transactions requiring Board approval were noted which had not been approved.
- 06-IV-F Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Organization's investment policy were noted.

\* \* \*