SOUTHERN IOWA TROLLEY
CRESTON IOWA

INDEPENDENT AUDITOR'S REPORT
FINANCIAL STATEMENTS AND SUPPLEMENTAL
INFORMATION

Year Ended June 30, 2013

SOUTHERN IOWA TROLLEY

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SOUTHERN IOWA TROLLEY

Officials

Administrative Board

Name	Title	Representing
Myron Manley	Chairperson	Clarke County
Linda England	Vice-Chairperson	Adams County
Lois Monday	Secretary-Treasurer	Union County
Steve Shelley	Member	Adair County
Gary Boswell	Member	Decatur County
Kraig Pennington	Member	Ringgold County
Jerry Murphy	Member	Taylor County

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INDEPENDENT AUDITOR'S REPORT

To the Members
Southern Iowa Trolley
Creston, Iowa 50801

Report on the Financial Statements

I have audited the accompanying financial statements Southern Iowa Trolley as of and for the year ended June 30, 2013, and the related Notes to Financial Statements and Supplement Information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable TO financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southern Iowa Trolley as of June 30, 2013, and the changes in its financial position and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Reporting Required by Government Auditing Standards

In accordance with government Auditing Standards, I have also issued my report dated October 11, 2013 on my consideration of Southern Iowa Trolley's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Southern Iowa Trolley's internal control over financial reporting and compliance.

Ted Wellers CPA

October 11, 2013

SOUTHERN IOWA TROLLEY
Statement of Net Assets
June 30, 2013

ASSETS

CURRENT ASSETS		
Cash		$ 47,506
Accounts receivables		83,972
Grants receivables		63,886
Prepaid expenses		1,181
Total current assets		196,545
PROPERTY & EQUIPMENT - at cost		
Equipment (Note 3 & 4)		2,099,123
Less accumulated depreciation		(1,310,858)
Total property and equipment		788,265
Total Assets		$ 984,810

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable		$ 23,560
Accrued payroll and payroll taxes		26,725
Total Current Liabilities		50,285
Total Liabilities		50,285
NET ASSETS		
Unrestricted net assets:		
Undesignated	(46,234)	
Designated		
Self insurance	53,006	
Transit capital replacement	139,488	
Property and equipment	788,265	
Total net assets		934,525
Total liabilities and net assets		$ 984,810

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

SOUTHERN IOWA TROLLEY
Statement of Revenues, Expenses, and
Changes in Net Assets
Year Ended June 30, 2013

	Unrestricted
Revenue and Support:	
Federal funds	$ 383,154
State funds	305,413
Other revenue	367,231
Contractural income	56,265
County funds	10,573
Program funds	76,508
Ticket revenue	4,785
Miscellaneous	1,203,929
Total revenue and support	
Expenses:	
Salaries and wages	663,526
Fringe benefits	117,048
Vehicle expense	186,673
Space and utilities	35,281
Insurance	73,749
Depreciation (Note 2)	131,856
Meetings and Travel	21,484
Supplies	2,705
Worker's compensation	39,113
Telephone	10,659
Printing and publicity	6,740
Dues and subscriptions	3,196
Office supplies	4,339
Audit	4,035
Legal services	1,721
Equipment repair	1,387
Postage	1,168
Training	1,015
Uniforms	3,986
Employee screenings	3,183
Miscellaneous	1,514
Total expenses	1,314,378
Change in net assets	(110,449)
Net assets beginning of year	1,044,974
Net assets end of year	$ 934,525

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

SOUTHERN IOWA TROLLEY
Statement of Cash Flows
Year Ended June 30, 2013

Cash flows from operating activities:	
Change in net assets	$ (110,449
Adjustments to reconcile change in net assets to cash provided by operating activities	
Depreciation	131,856
Decrease in accounts receivable	61,698
Decrease in grants receivable	81,629
(Increase) in prepaid expenses	(1,181)
(Decrease) in accounts payable	(6,865)
(Decrease) in accrued payroll	(13,046)
Net cash provided by operating activities	143,642
Cash flows from investing activities	
Capital expenditures	(120,993)
Net increase in cash and cash equivalents	22,649
Cash and cash equivalents as of beginning of year	24,857
Cash and cash equivalents as of end of year	$ 47,506

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

Note 1: Organization and Nature of Activities

Southern Iowa Trolley is a public organization established pursuant to the provisions of Chapter 28E, Code of Iowa and amendments thereto. Southern Iowa Trolley provides safe and reliable transportation to the general public in the counties of Adair, Adams, Clarke, Decatur, Ringgold, Taylor, and Union in southern Iowa. Primary customer groups are persons with disabilities, the elderly, and school children.

Note 2: Summary of Significant Accounting Policies

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

Cash and cash equivalents - The Trolley considers all highly liquid investments as cash equivalents. The components of cash and cash equivalents include, cash in bank and petty cash.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management's estimates.

Depreciation - Property and equipment are stated at historical cost. Depreciation is provided based on useful lives using the straight line method for computing depreciation.

Unearned funds - At the end of the year, unearned funds that have been received are recorded as a payable to the grantor unless they can be carried over to the next fiscal year in which case they are recorded as temporarily restricted assets, and grant funds earned but not received are record as a receivable.

Restricted project contributions - Restricted project contributions are recorded in holding accounts as temporarily restricted assets until they are needed to cover grant expenses, at which time they are reported in the statement of activities as net assets released from restrictions.

Local funds - Local funds include unrestricted general funds provided by the counties, project income and contributions, and private donations. Unapplied local funds represents excess unrestricted contributions received but not applied to projects as local funds.

Note 3: Net Assets

Unrestricted Designated for self Insurance - These assets were designated by the Board of Directors to self insure the Trolley for vehicle collision, property damage on the older vehicles and deductibles.

Unrestricted Designated for Transit Capital Replacement - These assets were designated by the Board of Directors to replace transit assets when the need arises.

Property and Equipment - The property and equipment accounts for property and equipment on hand at the statement of financial position date are valued at cost. Assets over $ 2,000 are capitalized. The assets are depreciated using the straight-line method over their useful life, 5 to 10 years.

Note 4: Pension and Retirement Benefits

Southern Iowa Trolley contributes to the Iowa Public Retirements System (IPERS) which is a cost-sharing defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to, IPERS P.O. Box 9117 Des Moines, Iowa 50306-9117.

Plan members are required to contribute 5.78% of their covered salary and the Southern Iowa Trolley is required to contribute 8.67% of annual covered payroll. Contribution requirements are established by State statue. Southern Iowa Trolley's contribution to IPERS for the year ended June 30, 2013 were $ 57,528 equal to the required contribution.

Note 5. Trolley risk management - Southern Iowa Trolley is exposed to various risks of loss related to tort; theft of, damage of, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settlement of these risks have not exceeded commercial insurance coverage for the past year.

Note 6. Subsequent events - Management evaluated subsequent events from June 30, 2013 through October 11, 2013. No event has occurred that would have had a material affect on the financial statements.

SUPPLEMENTAL INFORMATION

SOUTHERN IOWA TROLLEY
Statement of Activity
Transportation Operations
Year Ended June 30, 2013

Revenue and Support:	
Federal funds	$ 272,847
State funds	305,413
Other revenue	
Contractual income	367,231
County funds	56,265
Program income	10,573
Ticket revenue	76,508
Miscellaneous	4,785
Total revenue and support	1,093,622
Expenses:	
Salaries and wages	662,909
Fringe benefits	116,908
Vehicle operations	186,673
Depreciation	131,856
Insurance	73,749
Professional services	1,721
Audit	4,035
Dues and subscriptions	3,196
Employee screenings	3,183
Postage	1,168
Printing and publicity	6,740
Office supplies	4,339
Space and utilities	35,281
Supplies	2,705
Telephone	10,659
Meetings and Travel	21,484
Training	1,015
Workers comp	39,113
Uniforms	3,986
Equipment repair	1,387
Miscellaneous	1,312
Total expenses	1,313,419
(Deficiency) of revenue and support over expenses	(219,797)
Fund balance, beginning of year	139,854
Transfer in from transit capital	120,993
Fund balance, end of year	$ 41,050

See accompanying independent auditor's report

SOUTHERN IOWA TROLLEY
Statement of Activity
Transportation Support
Year Ended June 30, 2013

	Capital Assistance	Self Insurance	Total
Revenue and Support			
Federal funds	$ 110,307	---	$ 110,307
Miscellaneous	---	$ ---	$ ---
Total revenue and support	110,307	---	110,307
Expenses:			
Salaried	---	617	617
Fringe benefits	---	140	140
Miscellaneous	---	202	202
Total expenses	---	959	959
Excess of revenue and support over expenses	110,307	(959)	109,348
Fund balance, beginning of year	150,174	53,965	204,139
Transfer out to transportation	(120,993)	---	(120,993)
Fund balance, end of year	$ 139,488	$ 53,006	$ 192,494

See accompanying independent auditor's report

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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 Members of Southern
Iowa Trolley:

I have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of Southern Iowa Trolley as of and for the year ended June 30, 2013 and the related Notes to Financial Statements, and have issued my report thereon dated October 11, 2013.

Internal Control Over financial Reporting

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

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in the internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Finding, I identified a deficiency in internal control I consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Southern Iowa Trolley's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiency in the Southern Iowa Trolley's internal control in the accompanying Schedule of Findings as a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Southern Iowa Trolley's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters required to be reported under Government Auditing Standards.

Southern Iowa Trolley's Responses to Findings

The Southern Iowa Trolley's responses to the findings identified in my audit are described in the accompanying Schedule of Findings. The Southern Iowa Trolley' s responses were not subjected to the auditing procedures applied in the audit of the financial statements and , accordingly, I express no opinion on them.

Purpose of this Report

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

I would like to acknowledge the many courtesies and assistance extended to me by personnel of the Southern Iowa Trolley during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

Joel Wellet CPA

October 11, 2013

Southern Iowa Trolley
Schedule of Findings
Year ended June 30, 2013

Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES:

Segregation of Duties - An important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One person has control over each of the following areas for the Trolley:

(1) Accounting system - record keeping for revenues, expenses and relayed reporting.

(2) Disbursements - preparing and approving all vouchers.

Recommendation - I realize segregation of duties is difficult with limited number of office employees. However, the Trolley should review its operating procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff and Board members.

Response - Due to limited number of office employees, segregation of duties is very difficult. However, we will have the Manager or a Board member review receipts and disbursements on a test basis.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE

No matters were noted.