

STATE OF MINNESOTA

Office of the State Auditor



**Rebecca Otto
State Auditor**

**RAINBOW RIDER
LOWRY, MINNESOTA**

FOR THE YEAR ENDED DECEMBER 31, 2009

Description of the Office of the State Auditor

The mission of the Office of the State Auditor is to oversee local government finances for Minnesota taxpayers by helping to ensure financial integrity and accountability in local governmental financial activities.

Through financial, compliance, and special audits, the State Auditor oversees and ensures that local government funds are used for the purposes intended by law and that local governments hold themselves to the highest standards of financial accountability.

The State Auditor performs approximately 160 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

Audit Practice - conducts financial and legal compliance audits of local governments;

Government Information - collects and analyzes financial information for cities, towns, counties, and special districts;

Legal/Special Investigations - provides legal analysis and counsel to the Office and responds to outside inquiries about Minnesota local government law; as well as investigates allegations of misfeasance, malfeasance, and nonfeasance in local government;

Pension - monitors investment, financial, and actuarial reporting for approximately 730 public pension funds; and

Tax Increment Financing - promotes compliance and accountability in local governments' use of tax increment financing through financial and compliance audits.

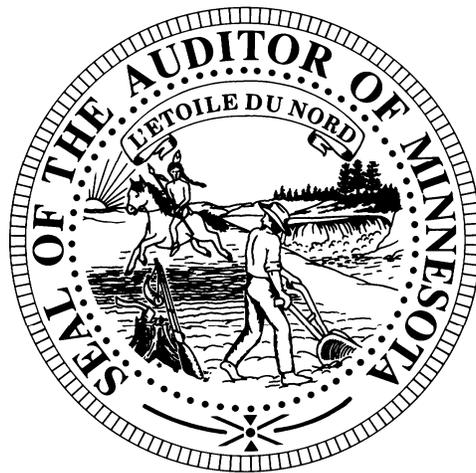
The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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**RAINBOW RIDER
LOWRY, MINNESOTA**

For the Year Ended December 31, 2009



**Audit Practice Division
Office of the State Auditor
State of Minnesota**

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**RAINBOW RIDER
LOWRY, MINNESOTA**

TABLE OF CONTENTS

	<u>Reference</u>	<u>Page</u>
Introductory Section		
Organization		1
Financial Section		
Independent Auditor's Report		2
Management's Discussion and Analysis		4
Basic Financial Statements		
Statement of Net Assets	Exhibit 1	8
Statement of Revenues, Expenses, and Changes in Net Assets	Exhibit 2	9
Statement of Cash Flows	Exhibit 3	10
Notes to the Financial Statements		12
Management and Compliance Section		
Schedule of Findings and Questioned Costs	Schedule 1	26
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		30
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133		33
Schedule of Expenditures of Federal Awards	Schedule 2	36
Notes to the Schedule of Expenditures of Federal Awards		37

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**RAINBOW RIDER
LOWRY, MINNESOTA**

ORGANIZATION
DECEMBER 31, 2009

The Rainbow Rider Transit Board consists of two members from each of the participating counties.

<u>Name</u>	<u>Position</u>	<u>County</u>
Board		
Dan Olson	Vice Chair	Douglas
Norm Salto	Member	Douglas
Paul Gerde	Member	Pope
Randy Shaw	Member	Pope
Herb Kloos	Chair	Stevens
Larry Sayre	Member	Stevens
Gerald Kaus	Member	Traverse
David Naatz	Member	Traverse
Harold Jennissen	Transit Director	

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

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INDEPENDENT AUDITOR'S REPORT

Rainbow Rider Transit Board
Lowry, Minnesota

We have audited the accompanying basic financial statements of Rainbow Rider as of and for the year ended December 31, 2009, as listed in the table of contents. These financial statements are the responsibility of Rainbow Rider's management. Our responsibility is to express an opinion 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 provides 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 Rainbow Rider at December 31, 2009, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is 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 required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2010, on our consideration of Rainbow Rider's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

December 28, 2010

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**RAINBOW RIDER
LOWRY, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2009
(Unaudited)**

The Rainbow Rider Transit Board's (Board) Management's Discussion and Analysis (MD&A) provides an overview of Rainbow Rider's financial activities for the fiscal year ended December 31, 2009. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with Rainbow Rider's financial statements.

Rainbow Rider is a joint powers enterprise operation among Douglas, Pope, Stevens, and Traverse Counties created to provide a coordinated service delivery and funding source for public transportation for the mutual benefit of each of the joint participants.

OVERVIEW OF THE FINANCIAL STATEMENTS

This MD&A is intended to serve as an introduction to the basic financial statements. Rainbow Rider's basic financial statements consist of two parts: the financial statements and the notes to the financial statements. The MD&A (this section) is required to accompany the basic financial statements and, therefore, is included as required supplementary information.

The financial statements consist of the following:

- The statement of net assets compares the assets and liabilities to give an overall view of the financial health of Rainbow Rider.
- The statement of revenues, expenses, and changes in net assets provides information on an aggregate view of Rainbow Rider's finances. All of the current year's revenues and expenses are taken into account regardless of when the cash was received or paid.
- The statement of cash flows provides sources and uses of cash for Rainbow Rider.

FINANCIAL ANALYSIS

	Net Assets			Percentage Change (%)
	2009	2008	Increase (Decrease)	
Assets				
Current and other assets	\$ 787,563	\$ 1,059,141	\$ (271,578)	26
Capital assets, net	<u>1,769,510</u>	<u>1,437,049</u>	<u>332,461</u>	23
Total Assets	<u>\$ 2,557,073</u>	<u>\$ 2,496,190</u>	<u>\$ 60,883</u>	2
Liabilities				
Current liabilities	\$ 149,465	\$ 393,535	\$ (244,070)	(62)
Noncurrent liabilities	<u>510,799</u>	<u>503,794</u>	<u>7,005</u>	1
Total Liabilities	<u>\$ 660,264</u>	<u>\$ 897,329</u>	<u>\$ (237,065)</u>	(26)
Net Assets				
Invested in capital assets, net of related debt	\$ 1,269,510	\$ 1,041,279	\$ 228,231	22
Unrestricted	<u>627,299</u>	<u>557,582</u>	<u>69,717</u>	13
Total Net Assets	<u>\$ 1,896,809</u>	<u>\$ 1,598,861</u>	<u>\$ 297,948</u>	19

The decrease in current and other assets is from spending previous cash invested with escrow agent for a shop/garage building and a long-term receivable from the federal government for the construction of a shop/garage building. The increase in capital assets is mostly from the addition of seven buses. The decrease in current liabilities is from settling contracts payable for the shop/garage building.

	Changes in Net Assets			Percentage Change (%)
	2009	2008	Increase (Decrease)	
Operating revenues				
Charges for services	\$ 577,194	\$ 553,595	\$ 23,599	4
Miscellaneous	59,238	89,965	(30,727)	(34)
Nonoperating revenues				
Operating grants	979,200	926,570	52,630	6
Interest earnings	8,021	21,971	(13,950)	(63)
Gain on disposal of assets	<u>4,000</u>	<u>-</u>	<u>4,000</u>	100
Total Revenues	<u>\$ 1,627,653</u>	<u>\$ 1,592,101</u>	<u>\$ 35,552</u>	2

	2009	2008	Increase (Decrease)	Percentage Change (%)
Operating expenses				
Personal services	\$ 1,029,872	\$ 976,795	\$ 53,077	5
Administrative charges	127,227	107,396	19,831	18
Operating charges	341,762	461,376	(119,614)	(26)
Insurance	28,777	25,443	3,334	13
Depreciation	303,276	232,971	70,305	30
Nonoperating expense				
Interest expense	17,750	16,714	1,036	6
Total Expenses	<u>\$ 1,848,664</u>	<u>\$ 1,820,695</u>	<u>\$ 27,969</u>	2
Income (loss) before contributions	\$ (221,011)	\$ (228,594)	\$ 7,583	3
Capital contributions	518,959	541,662	(22,703)	(4)
Change in Net Assets	\$ 297,948	\$ 313,068	\$ (15,120)	(5)
Net Assets - January 1	1,598,861	1,285,793	313,068	24
Net Assets - December 31	<u>\$ 1,896,809</u>	<u>\$ 1,598,861</u>	<u>\$ 297,948</u>	19

Net assets increased from 2008 to 2009 due mainly to the addition of the seven buses.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets (Net of Depreciation)

	2009	2008	Increase (Decrease)	Percentage Change (%)
Land	\$ 32,227	\$ 32,227	\$ -	-
Construction in progress	-	403,607	(403,607)	(100)
Land improvements	7,005	7,837	(832)	(11)
Buildings and structures	1,023,887	511,549	512,338	100
Revenue vehicles and equipment	705,167	477,656	227,511	48
Office furniture and equipment	1,224	4,173	(2,949)	(71)
Total Capital Assets	<u>\$ 1,769,510</u>	<u>\$ 1,437,049</u>	<u>\$ 332,461</u>	23

In 2008, Rainbow Rider entered into a \$500,000 lease and purchase option for the construction of a new bus garage. At December 31, 2009, Rainbow Rider owed \$500,000 on this lease, even though the new bus garage was completed.

The major additions this year included seven buses and the completion of the shop/garage building. Additional information on capital assets can be found in Note 2.D. to the financial statements.

CONTACTING RAINBOW RIDER'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers, and creditors with a general overview of Rainbow Rider's finances and to show the Board's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Transit Director, Harold Jennissen, 249 Poplar Avenue, Lowry, Minnesota 56349.

BASIC FINANCIAL STATEMENTS

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**RAINBOW RIDER
LOWRY, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET ASSETS
DECEMBER 31, 2009**

Assets

Current assets

Cash and investments	\$ 290,886
Petty cash	30
Accounts receivable	31,169
Due from other governments	461,364
Inventories	4,114

Total current assets **\$ 787,563**

Capital assets

Nondepreciable	\$ 32,227
Depreciable - net	1,737,283

Total capital assets **\$ 1,769,510**

Total Assets **\$ 2,557,073**

Liabilities

Current liabilities

Accounts payable	\$ 40,513
Salaries payable	12,239
Due to other governments	420
Accrued interest payable	1,479
Unearned revenue	63,678
Compensated absences payable	31,136

Total current liabilities **\$ 149,465**

Noncurrent liabilities

Lease payable	\$ 500,000
Compensated absences payable	10,799

Total noncurrent liabilities **\$ 510,799**

Total Liabilities **\$ 660,264**

Net Assets

Invested in capital assets - net of related debt	\$ 1,269,510
Unrestricted	627,299

Total Net Assets **\$ 1,896,809**

**RAINBOW RIDER
LOWRY, MINNESOTA**

EXHIBIT 2

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Operating Revenues	
Charges for services	\$ 577,194
Miscellaneous	59,238
	<hr/>
Total Operating Revenues	\$ 636,432
Operating Expenses	
Personal services	\$ 1,029,872
Administration charges	127,227
Operating charges	341,762
Insurance	28,777
Depreciation	303,276
	<hr/>
Total Operating Expenses	\$ 1,830,914
Operating Income (Loss)	\$ (1,194,482)
Nonoperating Revenues (Expenses)	
Operating grants	
State	
Greater Minnesota Transit Fund	\$ 372,200
Public transit participation program	421,280
Federal	
Public transit for nonurbanized areas	185,720
Investment earnings	8,021
Interest expense	(17,750)
Gain (loss) on disposal of capital assets	4,000
	<hr/>
Total Nonoperating Revenues (Expenses)	\$ 973,471
Income (loss) before contributions	\$ (221,011)
Capital contributions	518,959
	<hr/>
Change in Net Assets	\$ 297,948
Net Assets - January 1	1,598,861
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Net Assets - December 31	\$ 1,896,809
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**RAINBOW RIDER
LOWRY, MINNESOTA**

EXHIBIT 3

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2009
Increase (Decrease) in Cash and Cash Equivalents**

Cash Flows from Operating Activities	
Receipts from customers	\$ 636,939
Payments to suppliers	(526,702)
Payments to employees	<u>(1,048,668)</u>
Net cash provided by (used in) operating activities	<u>\$ (938,431)</u>
Cash Flows from Noncapital Financing Activities	
Operating grants	<u>\$ 970,380</u>
Cash Flows from Capital and Related Financing Activities	
Capital contributions	\$ 434,403
Interest paid on lease payable	(17,750)
Proceeds from the sale of capital assets	4,000
Purchases of capital assets	<u>(842,182)</u>
Net cash provided by (used in) capital and related financing activities	<u>\$ (421,529)</u>
Cash Flows from Investing Activities	
Interest received	<u>\$ 8,021</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (381,559)
Cash and Cash Equivalents at January 1	<u>672,475</u>
Cash and Cash Equivalents at December 31	<u><u>\$ 290,916</u></u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets	
Cash and Cash Equivalents	
Cash and pooled investments	\$ 290,886
Petty cash	<u>30</u>
Total Cash and Cash Equivalents	<u><u>\$ 290,916</u></u>

**RAINBOW RIDER
LOWRY, MINNESOTA**

***EXHIBIT 3
(Continued)***

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2009
Increase (Decrease) in Cash and Cash Equivalents**

Reconciliation of operating income (loss) to net cash provided by (used in) operating activities	
Operating income (loss)	<u>\$ (1,194,482)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Depreciation expense	\$ 303,276
(Increase) decrease in accounts receivable	(1,104)
(Increase) decrease in due from other governments	(17,406)
(Increase) decrease in inventories	1,905
Increase (decrease) in accounts payable	(20,458)
Increase (decrease) in salaries payable	(29,595)
Increase (decrease) in compensated absences payable	10,799
Increase (decrease) in due to other governments	(10,383)
Increase (decrease) in unearned revenue	<u>19,017</u>
Total adjustments	<u>\$ 256,051</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ (938,431)</u>

**RAINBOW RIDER
LOWRY, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2009

1. Summary of Significant Accounting Policies

The financial reporting policies of Rainbow Rider conform to generally accepted accounting principles.

A. Financial Reporting Entity

Rainbow Rider was established December 1, 1994, by a joint powers agreement among Douglas, Grant, Pope, Stevens, and Traverse Counties. Operations did not begin until 1995. The agreement was established to provide a coordinated service delivery and funding source for public transportation for the mutual benefit of each of the joint participants. The joint powers agreement remains in force until any single county notifies the other parties of its intentions to withdraw, at least 90 days before the termination takes effect. The remaining counties may agree to continue the agreement with the remaining counties as members. Grant County terminated its membership in Rainbow Rider on May 31, 1999.

Control is vested in the Rainbow Rider Transit Board (Board). The Board consists of two members from each county. The members of the Board are appointed by the County Commissioners of the county they represent. Members of the Board serve an annual term and may be reappointed by their respective county boards.

Rainbow Rider is a joint venture with no county having control over the Board. Each county has an ongoing responsibility to provide funding for the operating costs of the Board allocated in accordance with the actual expenses incurred by representatives of the respective counties on the Board.

B. Basic Financial Statements

The accounts of Rainbow Rider are organized as an enterprise fund. Operating revenues result from exchange transactions associated with its principal activity. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as intergovernmental revenue, result from nonexchange transactions or incidental activities. Rainbow Rider's net assets are reported in two parts: (1) invested in capital assets and (2) unrestricted net assets.

**RAINBOW RIDER
LOWRY, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

Rainbow Rider's 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. Pursuant to Governmental Accounting Standards Board (GASB) Statement 20, Rainbow Rider has elected to not apply accounting standards issued by the Financial Accounting Standards Board after November 30, 1989.

D. Assets, Liabilities, and Net Assets

1. Assets

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include cash, petty cash, and investments with an original maturity of three months or less when purchased.

Inventories

Inventories are valued at last invoice price, which is substantially the first-in, first-out method.

Capital Assets and Depreciation

Capital assets, which include property, buildings, furniture, equipment, and vehicles, are reported in the financial statements. Capital assets are defined by the Board as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

**RAINBOW RIDER
LOWRY, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets

1. Assets

Capital Assets and Depreciation (Continued)

Depreciation is determined using the straight-line method for the estimated useful lives of the assets:

<u>Classification</u>	<u>Range</u>
Land improvements	15 years
Buildings	30 years
Furniture and equipment	3 to 10 years
Vehicles	5 years

2. Liabilities

Unearned Revenue

Unredeemed bus fare tickets are reported as unearned revenue until they are redeemed.

Compensated Absences

The accompanying financial statements include a liability for unused vacation that has vested. Rainbow Rider's personnel policy provides that employees earn vacation leave dependent upon their years of service. Vacation leave may be accumulated to a maximum of 21 days. Sick leave is accumulated at one day per month for full-time employees. Part-time employees earn vacation and sick leave on a prorated basis.

Unvested sick leave, approximately \$37,495 at December 31, 2009, is available to employees in the event of illness-related absences and is not paid to them at termination.

**RAINBOW RIDER
LOWRY, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities and Net Assets (Continued)

3. Net Assets

The portion of net assets invested in capital assets, net of related debt, represents the capital assets of Rainbow Rider, net of accumulated depreciation and reduced by the outstanding balance of borrowing (net of unspent related loan proceeds) attributable to the construction of those assets. The remaining net assets are reported as unrestricted net assets.

E. Revenues and Expenses

1. Revenues

In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, revenues for nonexchange transactions are recognized based on the principal characteristics of the revenue. Exchange transactions are recognized as revenue when the exchange occurs.

Nonexchange Transactions

Government-mandated nonexchange transactions occur when a government at one level provides resources to a government at another level and requires that government to use them for a specific purpose. The provider government establishes purpose restrictions and also may establish time requirements. Federal and state grants mandating Rainbow Rider perform particular programs are government-mandated nonexchange transactions. Revenues are recognized when eligibility and time requirements are met, usually when the corresponding expense is incurred. Capital contributions received are reported as a separate item and an increase in the net assets on the statement of revenues, expenses, and changes in net assets.

**RAINBOW RIDER
LOWRY, MINNESOTA**

1. Summary of Significant Accounting Policies

E. Revenues and Expenses

1. Revenues

Nonexchange Transactions (Continued)

Voluntary nonexchange transactions result from legislative or contractual agreements, such as grants, entitlements, appropriations, and donations. The provider may establish purpose restrictions or eligibility requirements. Revenues are recognized in the year to which they apply according to the statute or contract. Gifts and contributions from individuals are also considered voluntary nonexchange transactions and are generally recognized when received.

Exchange Transactions

Other revenues, such as charges for services and investment income, are recognized as revenue when earned.

2. Expenses

Rainbow Rider recognizes expenses, including compensated absences, when incurred.

F. 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.

**RAINBOW RIDER
LOWRY, MINNESOTA**

2. Detailed Notes

A. Budget to Actual

Following is a summary statement of budgeted and actual revenues and expenses for the year ended December 31, 2009.

	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Charges for services	\$ 687,717	\$ 577,194	\$ (110,523)
Miscellaneous	-	59,238	59,238
Total Operating Revenues	\$ 687,717	\$ 636,432	\$ (51,285)
Operating Expenses			
Personal services	\$ 1,170,301	\$ 1,029,872	\$ (140,429)
Administrative charges	153,125	127,227	(25,898)
Operating charges	667,296	341,762	(325,534)
Insurance	25,641	28,777	3,136
Depreciation	-	303,276	303,276
Total Operating Expenses	\$ 2,016,363	\$ 1,830,914	\$ (185,449)
Operating Income (Loss)	\$ (1,328,646)	\$ (1,194,482)	\$ 134,164
Nonoperating Revenues (Expenses)			
Operating grants			
State	\$ 793,480	\$ 793,480	\$ -
Federal	185,720	185,720	-
Investment earnings	-	8,021	8,021
Interest expense	-	(17,750)	(17,750)
Gain (loss) on disposal of capital assets	-	4,000	4,000
Total Nonoperating Revenues (Expenses)	\$ 979,200	\$ 973,471	\$ (5,729)
Income (loss) before contributions	\$ (349,446)	\$ (221,011)	\$ 128,435
Capital contributions	-	518,959	518,959
Change in Net Assets	\$ (349,446)	\$ 297,948	\$ 647,394
Net Assets - January 1	1,598,861	1,598,861	-
Net Assets - December 31	\$ 1,249,415	\$ 1,896,809	\$ 647,394

**RAINBOW RIDER
LOWRY, MINNESOTA**

2. Detailed Notes (Continued)

B. Deposits and Investments

Rainbow Rider's total deposits and investments follow:

Cash and investments	\$ 290,886
Petty cash	30
	<hr/>
Total Deposits and Investments	<u>\$ 290,916</u>

1. Deposits

Rainbow Rider is authorized by Minn. Stat. §§ 118A.02 and 118A.04 to designate a depository for public funds and to invest in certificates of deposit. Rainbow Rider is required by Minn. Stat. § 118A.03 to protect deposits with insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit at the close of the financial institution's banking day, not covered by insurance or bonds.

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better or revenue obligations rated "AA" or better; irrevocable standby letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution not owned or controlled by the financial institution furnishing the collateral.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, Rainbow Rider's deposits may not be returned to it. Rainbow Rider does not have a deposit policy for custodial credit risk. As of December 31, 2009, Rainbow Rider's deposits were not exposed to custodial credit risk.

**RAINBOW RIDER
LOWRY, MINNESOTA**

2. Detailed Notes

B. Deposits and Investments (Continued)

2. Investments

Rainbow Rider may invest in the following investments as authorized by Minn. Stat. §§ 118A.04 and 118A.05:

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as “high risk” by Minn. Stat. § 118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) bankers’ acceptances of United States banks;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

During the year ended December 31, 2009, Rainbow Rider had no investments.

**RAINBOW RIDER
LOWRY, MINNESOTA**

2. Detailed Notes (Continued)

C. Receivables

Receivables as of December 31, 2009, are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Accounts receivable	\$ 31,169	\$ -
Due from other governments	461,364	-
Total	\$ 492,533	\$ -

D. Capital Assets

Capital asset activity for the year ended December 31, 2009, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated				
Land	\$ 32,227	\$ -	\$ -	\$ 32,227
Construction in progress	403,607	-	(403,607)	-
Total capital assets not depreciated	\$ 435,834	\$ -	\$ (403,607)	\$ 32,227
Capital assets, depreciated				
Land improvements	\$ 12,483	\$ -	\$ -	\$ 12,483
Buildings and structures	599,472	550,676	-	1,150,148
Revenue vehicles and equipment	1,590,087	488,668	(134,685)	1,944,070
Office furniture and equipment	22,788	-	-	22,788
Total capital assets depreciated	\$ 2,224,830	\$ 1,039,344	\$ (134,685)	\$ 3,129,489
Less: accumulated depreciation for:				
Land improvements	\$ 4,646	\$ 832	\$ -	\$ 5,478
Buildings and structures	87,923	38,338	-	126,261
Revenue vehicles and equipment	1,112,431	261,157	(134,685)	1,238,903
Office furniture and equipment	18,615	2,949	-	21,564
Total accumulated depreciation	\$ 1,223,615	\$ 303,276	\$ (134,685)	\$ 1,392,206
Total capital assets depreciated, net	\$ 1,001,215	\$ 736,068	\$ -	\$ 1,737,283
Capital Assets, Net	\$ 1,437,049	\$ 736,068	\$ (403,607)	\$ 1,769,510

**RAINBOW RIDER
LOWRY, MINNESOTA**

2. Detailed Notes (Continued)

E. Liabilities

1. Payables

Payables as of December 31, 2009, are as follows:

Accounts payable	\$	40,513
Salaries payable		12,239
Due to other governments		420
		420
Total	\$	53,172

2. Long-Term Debt

Type of Indebtedness	Maturity	Amount Due	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2009
Lease payable	June 1, 2011	\$500,000	3.55	\$ 500,000	\$ 500,000

3. Debt Service Requirements

Debt service requirements at December 31, 2009, were as follows:

Year Ending December 31	Loans Payable	
	Principal	Interest
2010	\$ -	\$ 17,750
2011	500,000	8,875
Total	\$ 500,000	\$ 26,625

On January 22, 2008, Rainbow Rider entered into a \$500,000 lease and purchase option agreement with Wells Fargo Brokerage Service, LLC, for the purpose of construction of a new bus garage on property Rainbow Rider owns. Semi-annual interest payments are required, with the final interest payment, along with a single principal payment, due on June 1, 2011. At the end of the lease period, Rainbow Rider has the option to purchase the bus garage for \$1.

**RAINBOW RIDER
LOWRY, MINNESOTA**

2. Detailed Notes

E. Liabilities (Continued)

4. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2009, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Lease payable	\$ 500,000	\$ -	\$ -	\$ 500,000	\$ -
Compensated absences	31,136	32,169	(21,370)	41,935	31,136
Long-Term Liabilities	<u>\$ 531,136</u>	<u>\$ 32,169</u>	<u>\$ (21,370)</u>	<u>\$ 541,935</u>	<u>\$ 31,136</u>

F. Unearned Revenue

Unearned revenue consists of \$63,678 of unredeemed sold tickets.

G. Risk Management

Rainbow Rider is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health coverage; and natural disasters. Rainbow Rider is a member of the Minnesota Counties Intergovernmental Trust (MCIT). For items not covered by MCIT, Rainbow Rider carries commercial insurance. Rainbow Rider retains risk for the deductible portions of the insurance policies. The amounts of these deductibles are considered immaterial to the financial statements. There were no significant reductions in insurance from the previous year or settlements in excess of insurance coverage for any of the past two fiscal years.

Risk of loss associated with injuries to employees is covered by membership in the MCIT Workers' Compensation Division. The risk associated with Rainbow Rider operations has not been separately identified.

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$430,000 per claim in 2009 and \$450,000 per claim in 2010. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess Rainbow Rider in a method and amount to be determined by MCIT.

**RAINBOW RIDER
LOWRY, MINNESOTA**

2. Detailed Notes

G. Risk Management (Continued)

The Property and Casualty Division of MCIT is self-sustaining, and Rainbow Rider pays an annual premium to cover current and future losses. MCIT carries reinsurance for its property lines to protect against catastrophic losses. Should the MCIT Property and Casualty Division liabilities exceed assets, MCIT may assess Rainbow Rider in a method and amount to be determined by MCIT.

3. Pension Plans

A. Plan Description

All full-time and certain part-time employees of Rainbow Rider are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the Public Employees Retirement Fund, which is a cost-sharing, multiple-employer retirement plan. The plan is established and administered in accordance with Minn. Stat. chs. 353 and 356.

Public Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security, and Basic Plan members are not. All new members must participate in the Coordinated Plan.

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefits are established by state statute and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each year thereafter. For a Coordinated Plan member, the annuity accrual rate is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each successive year. Using Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service.

**RAINBOW RIDER
LOWRY, MINNESOTA**

3. Pension Plans

A. Plan Description (Continued)

For all Public Employees Retirement Fund members hired prior to July 1, 1989, whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 65 or 66 (depending on date hired) for Public Employees Retirement Fund members. A reduced retirement annuity is also available to eligible members seeking early retirement.

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not yet receiving them are bound by the provisions in effect at the time they last terminated public service.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for the Public Employees Retirement Fund. That report may be obtained on the internet at www.mnpera.org; by writing to PERA at 60 Empire Drive, Suite 200, Saint Paul, Minnesota 55103-2088; or by calling 651-296-7460 or 1-800-652-9026.

B. Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the State Legislature. Rainbow Rider makes annual contributions to the pension plans equal to the amount required by state statutes. Public Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.1 and 6.0 percent, respectively, of their annual covered salary.

Rainbow Rider is required to contribute the following percentages of annual covered payroll in 2009:

Public Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	6.75

**RAINBOW RIDER
LOWRY, MINNESOTA**

3. Pension Plans

B. Funding Policy (Continued)

Rainbow Rider's contributions for the years ending December 31, 2009, 2008, and 2007, for the Public Employees Retirement Fund were:

<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 50,057	\$ 41,332	\$ 33,504

These contribution amounts are equal to the contractually required contributions for each year as set by state statute.

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II. FINDINGS RELATED TO FINANCIAL STATEMENTS AUDITED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

06-1 Internal Control/Segregation of Duties

Management is responsible for establishing and maintaining effective internal control. This responsibility includes monitoring ongoing activities, selecting and applying appropriate accounting principles, ensuring fair presentation of the financial statements and related notes, and designing and implementing programs and controls to prevent and detect fraud. Adequate segregation of duties is a key internal control in an organization's accounting system. The size of Rainbow Rider and its staffing limits the internal control that management can design and implement in the organization.

Management should be aware that segregation of duties is not adequate from an internal control point of view. To a large extent, staff has the ability to access assets and process and record both receipt and disbursement transactions. Ideally, one person should not have both access to assets and responsibility for maintaining the accountability of those assets. In addition, the work of one individual should be either independent of, or serve to check on, the work of another. Such arrangements reduce the risk of undetected errors and limit opportunities to misappropriate assets or conceal intentional misstatement.

Following are considerations for segregating duties when there is as little as two staff. The first staff person may have access to, process, and post receipts to the accounting records and prepare the bank deposit. A second person should take the deposit to the bank and verify the deposit slip with the amount recorded. This second person should sign and mail checks that the first staff person has processed and written. Finally, the second person should review the bank reconciliations prepared by the first staff person.

Management is also responsible for controls over the period-end financial reporting process, including controls over procedures used to enter transaction totals into the general ledger; initiate, authorize, record, and process journal entries into the general ledger; and record recurring and nonrecurring adjustments to the financial statements. Management has requested that the Office of the State Auditor prepare the annual financial statements and related notes. This arrangement is not unusual for an organization the size of Rainbow Rider. This decision was based on the availability of Rainbow Rider's staff and the cost benefit of using our expertise.

We recommend the Transit Board be mindful that limited staffing and segregation of duties causes inherent risks in safeguarding Rainbow Rider's assets and the proper reporting of its financial activity. Incompatible receipt and disbursement functions should be redistributed. We recommend the Transit Board continue to implement oversight procedures and monitor those procedures to determine if they are still effective internal controls.

Client's Response:

Rainbow Rider management is aware of the lack of segregation which is due to minimal staff. Rainbow Rider management is continuously working at correcting this problem by segregating duties with what staff is available.

08-1 Accounting Policies and Procedures Manual

Rainbow Rider does not have a current and comprehensive accounting policies and procedures manual. Written accounting policies and procedures should exist to document significant internal controls in the accounting system; be a source for guidance when staffing changes occur; and support management's risk identification, evaluation, and mitigation.

Rainbow Rider has made progress by adopting several new policy and procedure documents. However, there is no formal documentation identifying management's risk assessment process, how the policies and procedures address risks, and how management monitors the controls established to ensure they are working as planned.

We recommend a written accounting policies and procedures manual be prepared and approved by the Transit Board to emphasize its importance and authority. The documentation should describe procedures as they are intended to be performed, indicate which employees are to perform which procedures, and explain the design and purpose of control-related procedures. The Board should periodically monitor procedures to re-assess risk and determine whether the established internal controls are still effective or if changes are needed. Changes may be necessary due to such things as organizational restructuring, updates to information systems, or changes to services provided. The monitoring activity should be documented to show the results of the review, any changes required, and who performed the work.

Client's Response:

Rainbow Rider management has prepared an Accounting Policies and Procedures manual. It is our understanding that this manual is more of a guide in regards to how Rainbow Rider's accounting functions are administered. Rainbow Rider will now focus on documenting a risk assessment process with the help of Rainbow Rider management and Board members. Rainbow Rider will also look to Douglas, Pope, Stevens and Traverse counties for assistance.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

IV. OTHER FINDINGS AND RECOMMENDATIONS

MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEM RESOLVED

Electronic Funds Transfers (08-2)

Rainbow Rider uses electronic funds transfers for expenditure transactions. Rainbow Rider is required by Minn. Stat. § 385.071 to establish policies and procedures regarding the use of electronic funds transfers. The Transit Board had not established written policies regarding the use of electronic funds transfers.

Resolution

The Board approved a new policy on December 10, 2009, that addresses invoice approval, automatic (electronic) payments, and signature controls.



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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*

Rainbow Rider Transit Board
Lowry, Minnesota

We have audited the basic financial statements of Rainbow Rider as of and for the year ended December 31, 2009, and have issued our report thereon dated December 28, 2010. 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 Rainbow Rider's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Rainbow Rider's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Rainbow Rider's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of Rainbow Rider's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 06-1 to be a material weakness.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 08-1 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rainbow Rider's 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*.

Minnesota Legal Compliance

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Local Government*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Local Government* contains six categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions. Our study included all of the listed categories.

The results of our tests indicate that, for the items tested, Rainbow Rider complied with the material terms and conditions of applicable legal provisions.

Rainbow Rider's written responses to the internal control findings identified in our audit have been included in the Schedule of Findings and Questioned Costs. We did not audit Rainbow Rider's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Transit Board, management, others within Rainbow Rider, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Rebecca Otto

/s/Greg Hierlinger

REBECCA OTTO
STATE AUDITOR

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

December 28, 2010

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Rainbow Rider Transit Board
Lowry, Minnesota

Compliance

We have audited the compliance of Rainbow Rider 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 program for the year ended December 31, 2009. Rainbow Rider's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Rainbow Rider's management. Our responsibility is to express an opinion on Rainbow Rider's 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 Rainbow Rider's 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 Rainbow Rider's compliance with those requirements.

In our opinion, Rainbow Rider complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2009.

Internal Control Over Compliance

Management of Rainbow Rider 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 Rainbow Rider's 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Rainbow Rider's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of Rainbow Rider as of and for the year ended December 31, 2009, and have issued our report thereon dated December 28, 2010. Our audit was performed for the purpose of forming an opinion on Rainbow Rider's basic financial statements. 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 Transit Board, management and others within Rainbow Rider, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

December 28, 2010

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

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**RAINBOW RIDER
LOWRY, MINNESOTA**

Schedule 2

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Transportation		
Passed Through Pope County		
Highway Planning and Construction	20.205	\$ 77,114
Passed Through Minnesota Department of Transportation		
Formula Grants for Other Than Urbanized Areas Cluster		
Formula Grants for Other Than Urbanized Areas	20.509	384,120
Formula Grants for Other Than Urbanized Areas - ARRA	20.509	<u>236,003</u>
Total Federal Awards		<u>\$ 697,237</u>

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**RAINBOW RIDER
LOWRY, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

1. Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by Rainbow Rider. Rainbow Rider's reporting entity is defined in Note 1 to the financial statements.

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Rainbow Rider under programs of the federal government for the year ended December 31, 2009. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Rainbow Rider, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Rainbow Rider.

3. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through grant numbers were not assigned by the pass-through agencies.

4. Reconciliation to Comparative Statement of Revenues, Expenses, and Changes in Net Assets

Nonoperating Revenues: Operating Grants - Federal	\$ 185,720
Capital Contributions - Federal	275,514
Capital Contributions - Federal - ARRA	<u>236,003</u>
Expenditures Per Schedule of Expenditures of Federal Awards	<u>\$ 697,237</u>

**RAINBOW RIDER
LOWRY, MINNESOTA**

5. Subrecipients

Of the expenditures presented in the schedule, Rainbow Rider did not pass any federal awards to subrecipients.

6. American Recovery and Reinvestment Act

The American Recovery and Reinvestment Act of 2009 (ARRA) requires recipients to clearly distinguish ARRA funds from non-ARRA funding. In the schedule, ARRA funds are denoted by the addition of ARRA to the program name.