



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

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**NEWS RELEASE**

FOR RELEASE

March 25, 2010

Contact: Andy Nielsen  
515/281-5834

Auditor of State David A. Vaudt today released an audit report on the Heart of Iowa Regional Transit Agency, Des Moines, for the year ended June 30, 2009.

The Heart of Iowa Regional Transit Agency is an intergovernmental agency established to provide and to promote public transportation in the counties of Boone, Dallas, Jasper, Madison, Marion, Story and Warren.

The Agency had revenues of \$3,209,604 for the year ended June 30, 2009, an 8 percent increase over the prior year. Revenues included \$1,117,717 from federal sources, \$521,689 from state sources, \$646,064 from local sources and miscellaneous revenues totaling \$924,134. Expenses for the year totaled \$3,068,005, a 7 percent increase over the prior year. Expenses included \$516,694 for state transit assistance, \$1,592,556 for federal transit assistance and \$958,755 for other expenditures.

A copy of the audit report is available for review in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/index.html>.

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**HEART OF IOWA REGIONAL TRANSIT AGENCY**

**INDEPENDENT AUDITOR'S REPORTS**  
**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**JUNE 30, 2009**

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## Heart of Iowa Regional Transit Agency

### Officials

<u>Name</u>	<u>Title</u>	<u>Representing</u>
<b>Board of Directors</b>		
Howard Pothoven	Chairperson	Marion County
Marvin Grace	Vice Chairperson	Warren County
Bob Ockerman	Secretary/Treasurer	Dallas County
Joan Acela	Member	Madison County
Rick Tiedje	Member	Jasper County
Bill Lusher	Member	Boone County
Wayne E. Clinton	Member	Story County

### Agency

Kristin Haar	Executive Director
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### Iowa Department of Transportation

Samil Sermet	Transit Program Administrator
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**Heart of Iowa Regional Transit Agency**



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Independent Auditor's Report

To the Board Members of the Heart of  
Iowa Regional Transit Agency:

We have audited the accompanying financial statements of the governmental activities and the major fund of the Heart of Iowa Regional Transit Agency as of and for the year ended June 30, 2009. These financial statements are the responsibility of the Heart of Iowa Regional Transit Agency's management. Our responsibility is to express opinions on these financial statements based on our audit.

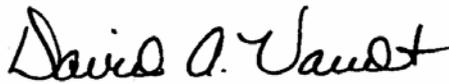
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain 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 our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the major fund of the Heart of Iowa Regional Transit Agency at June 30, 2009 and the changes in its financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 23, 2010 on our consideration of the Heart of Iowa Regional Transit Agency's 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.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 10 and 20 through 21 are not required parts of the financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements taken as a whole. The supplementary information included in Schedules 1 and 2, 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 financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

February 23, 2010

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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This discussion and analysis of the Heart of Iowa Regional Transit Agency (Agency) provides an overview of the Agency's financial activities for the fiscal year ended June 30, 2009 and is provided for consideration in conjunction with the Agency's financial statements, which follow.

### **2009 FINANCIAL HIGHLIGHTS**

- The Agency received \$1,639,406 during the fiscal year from a combination of federal and state grants, an increase of 31.0%, or \$387,615, compared to the previous fiscal year. The increase is due primarily to receiving more federal funding for the replacement of buses and vans for the Agency's fleet.
- Expenses increased 7.4%, or \$212,198, from the prior fiscal year, due to an increase in expenditures to contractors under the Federal Transit Assistance program.
- The Agency's net assets increased 7.6%, or \$141,599, from June 30, 2008 to June 30, 2009.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the financial statements and provides an analytical overview of the Agency's financial activities.

The Entity-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the Agency as a whole and present an overall view of the Agency's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending.

The financial statements also include notes and required and other supplementary information that explain some of the information in the statements and provide more detailed data. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the Agency.

## REPORTING THE AGENCY'S FINANCIAL ACTIVITIES

### *Entity-wide Financial Statements*

One of the most important questions asked about the Agency's finances is, "Is the Agency as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Agency as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Assets presents all of the Agency's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the Agency's net assets may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

The Statement of Activities presents information showing how the Agency's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the event or change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The Agency's governmental activities are displayed in the Statement of Net Assets and the Statement of Activities. Governmental activities include state transit assistance, federal transit assistance (capital and operating) and other.

### ENTITY-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in the net assets of governmental activities.

Net Assets of Governmental Activities		
	June 30,	
	2009	2008
Current and other assets	\$ 767,291	738,033
Capital assets	1,486,750	1,324,909
Total assets	2,254,041	2,062,942
Current liabilities	249,557	200,057
Net assets:		
Invested in capital assets	1,486,750	1,324,909
Unrestricted	517,734	537,976
Total net assets	\$ 2,004,484	1,862,885

Net assets of the Agency increased 7.6% (from \$1,862,885 to \$2,004,484). This increase is primarily due to more revenue from federal sources being used to purchase vehicles during the year ended June 30, 2009.

Change in Net Assets of Governmental Activities		
	Year ended June 30,	
	2009	2008
Program revenues:		
Federal sources	\$ 1,117,717	707,283
State sources	521,689	544,508
Local sources	646,064	710,261
Miscellaneous	924,134	1,001,948
Total revenues	<u>3,209,604</u>	<u>2,964,000</u>
Program expenses:		
State transit assistance	516,694	531,523
Federal transit assistance - capital	298,291	159,489
Federal transit assistance - operating	1,294,265	1,157,682
Other	958,755	1,007,113
Total expenses	<u>3,068,005</u>	<u>2,855,807</u>
Increase (decrease) in net assets	141,599	108,193
Net assets beginning of year	<u>1,862,885</u>	<u>1,754,692</u>
Net assets end of year	<u>\$ 2,004,484</u>	<u>1,862,885</u>

In fiscal year 2009, the Agency's total revenues increased \$245,604, or 8.3%, over fiscal year 2008. The increase was primarily the result of receiving more revenue from state and federal sources for purchasing new vehicles for the transit fleet.

## **BUDGETARY HIGHLIGHTS**

As shown on the Budgetary Comparison Schedule, actual revenues and expenditures fell short of budgeted amounts by \$1,526,717 and \$1,500,788, respectively. The shortfall was primarily due to budgeting for continual replacement of vehicles, the funding for which did not become available in this fiscal year. The Agency amended its budget once during the year ended June 30, 2009.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2009, the Agency had \$1,486,750 invested in vehicles and equipment. More detailed information about the Agency's capital assets is presented in Note 3 to the financial statements.

### **Debt Administration**

During the year ended June 30, 2009, the Agency received \$10,116 in loan proceeds from the Iowa Department of Transportation to purchase surveillance cameras. At June 30, 2009, the zero interest loan balance was \$2,816.

## **NEXT YEAR'S BUDGET**

The budgeted receipts and expenditures for fiscal year 2010 decreased 12%. The decreases can be attributed to an attempt to more accurately predict equipment purchases with federal funding and anticipated decreases in state funding for fiscal year 2010.

## **CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our local governments, local transit subcontractors and the citizens of Iowa with a general overview of the Agency's finances to demonstrate the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Heart of Iowa Regional Transit Agency at Des Moines International Airport, 5800 Fleur Drive, Room 215, Des Moines, Iowa 50321-2800.

## **Financial Statements**

**Exhibit A**

Heart of Iowa Regional Transit Agency  
Governmental Fund Balance Sheet/Statement of Net Assets  
June 30, 2009

<b>Assets</b>	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
Cash and investments	\$ 522,238	-	522,238
Accounts receivable	244,156	-	244,156
Prepaid expenditures	897	-	897
Capital assets, net of accumulated depreciation of \$2,141,497	-	1,486,750	1,486,750
Total assets	<u>767,291</u>	<u>1,486,750</u>	<u>2,254,041</u>
<b>Liabilities</b>			
Accounts payable	\$ 245,883	-	245,883
Loan payable	-	2,816	2,816
Compensated absences	-	858	858
Total liabilities	<u>245,883</u>	<u>3,674</u>	<u>249,557</u>
<b>Fund balance/Net assets</b>			
Unreserved fund balance	521,408	(521,408)	-
Total liabilities and fund balance	<u>\$ 767,291</u>		
Net assets:			
Invested in capital assets		1,486,750	1,486,750
Unrestricted		517,734	517,734
Total net assets		<u>\$ 2,004,484</u>	<u>2,004,484</u>

See notes to financial statements.

Heart of Iowa Regional Transit Agency  
 Statement of Governmental Fund Revenues,  
 Expenditures and Changes in Fund Balance/Statement of Activities  
 Year ended June 30, 2009

	General Fund	Adjustments	Statement of Activities
<b>Revenues</b>			
Program revenues:			
Federal sources	\$ 1,117,717	-	1,117,717
State sources	521,689	-	521,689
Local sources	646,064	-	646,064
Miscellaneous	924,134	-	924,134
Total revenues	<u>3,209,604</u>	<u>-</u>	<u>3,209,604</u>
<b>Expenditures/Expenses</b>			
Operating:			
State transit assistance	516,624	70	516,694
Federal transit assistance - capital	460,889	(162,598)	298,291
Federal transit assistance - operating	1,294,265	-	1,294,265
Other	958,755	-	958,755
Total expenditures/expenses	<u>3,230,533</u>	<u>(162,528)</u>	<u>3,068,005</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	<u>(20,929)</u>	<u>162,528</u>	<u>141,599</u>
Other financing sources (uses):			
Sale of capital assets	757	(757)	-
Loan proceeds	10,116	(10,116)	-
Loan repayment	(7,300)	7,300	-
Total other financing sources (uses)	<u>3,573</u>	<u>(3,573)</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures/expenses	<u>(17,356)</u>	<u>17,356</u>	<u>-</u>
Change in net assets	-	141,599	141,599
Fund balance/net assets beginning of year	538,764	1,324,121	1,862,885
Fund balance/net assets end of year	<u>\$ 521,408</u>	<u>1,483,076</u>	<u>2,004,484</u>

See notes to financial statements.

Heart of Iowa Regional Transit Agency

Notes to Financial Statements

June 30, 2009

**(1) Summary of Significant Accounting Policies**

The Heart of Iowa Regional Transit Agency (HIRTA) is an intergovernmental agency established in accordance with the provisions of Chapter 28E of the Code of Iowa. The area of jurisdiction is Region 11, which includes the counties of Boone, Dallas, Jasper, Madison, Marion, Story and Warren. The Agency's powers and duties are those authorized by Chapter 28E of the Code of Iowa.

The purpose of the Agency is to permit the local governments in the Central Iowa area to make efficient use of their transit operation powers by enabling them to provide joint services and facilities. It also provides planning advisory services and assistance in preparing special planning documents and applications for its members. In performing its duties, the Agency may contract with and expend funds from federal, state and local agencies, public or semi-public agencies or private individuals or corporations as long as the expenditures are for authorized purposes.

The financial statements of the Heart of Iowa Regional Transit Agency have been prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board. The more significant of the Heart of Iowa Regional Transit Agency's accounting policies are described below.

A. Reporting Entity

For financial reporting purposes, the Heart of Iowa Regional Transit Agency has included all funds. The Agency has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Agency are such that exclusion would cause the Agency's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Agency to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Agency. The Agency has no component units which meet the Governmental Accounting Standards Board criteria.

B. Entity-wide and Fund Financial Statements

The financial statements on pages 12 and 13 combine both an entity-wide perspective and a governmental fund perspective.

The General Fund comprises the Heart of Iowa Regional Transit Agency's governmental fund. This fund is the general operating fund of the Agency and the difference between assets and liabilities of the fund are referred to as "fund balance."

The entity-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the activities of the Agency. Governmental activities are those which normally are supported by intergovernmental revenues.

C. Measurement Focus and Basis of Accounting

The entity-wide financial statements are reported using the “economic resources measurement focus” and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the “current financial resources measurement focus” and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Agency considers revenues to be available if they are collected within 60 days after year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

D. Budget

The Executive Director of the Heart of Iowa Regional Transit Agency prepares an annual budget for the Agency’s general operations. This budget is approved and monitored by the Board.

E. Capital Assets

Capital assets, which include equipment and vehicles, are reported in the Statement of Net Assets column on Exhibit A. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the Agency as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Equipment and vehicles	\$ 5,000

Capital assets of the Agency are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Equipment	5
Vehicles	5-10

F. Compensated Absences

Agency employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded in the Statement of Net Assets column on Exhibit A. This liability has been computed based on rates of pay in effect at June 30, 2009.

**(2) Cash and Investments**

The Agency's deposits in banks at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Agency 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 Board of Directors; 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 Agency had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

**(3) Capital Assets**

Capital assets activity for the year ended June 30, 2009 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital assets being depreciated:				
Vehicles	\$ 3,259,446	348,527	(30,120)	3,577,853
Equipment	50,394	-	-	50,394
Total	3,309,840	348,527	(30,120)	3,628,247
Less accumulated depreciation:				
Vehicles	1,958,593	174,572	(25,602)	2,107,563
Equipment	26,338	7,596		33,934
Total	1,984,931	182,168	(25,602)	2,141,497
Capital assets, net	\$ 1,324,909	166,359	(4,518)	1,486,750

**(4) Changes in Current Liabilities**

A summary of changes in current liabilities for the year ended June 30, 2009 is as follows:

	Loan Payable	Compensated Absences	Total
Balance beginning of year	\$ -	788	788
Increases	10,116	70	10,186
Decreases	7,300	-	7,300
Balance end of year	\$ 2,816	858	3,674

**(5) Operating Lease**

The Agency leases its office facility for a three year period ending June 30, 2009 under an agreement requiring minimum monthly rental payments of \$898. The lease is classified as an operating lease and, accordingly, all rents are charged to expenditures as incurred. The lease also requires the payment of normal maintenance and insurance on the property.

The total rent expenditure for the year ended June 30, 2009 for the operating lease was \$10,776.

**(6) Contributed Support and Matching Services**

Contributed support and matching services of \$570,695 were donated to the Agency by local transit subcontractors during the year ended June 30, 2009. These amounts are included in local sources revenues and federal transit assistance – operating expenditures in the accompanying financial statements.

**(7) Pension and Retirement Benefits**

The Agency 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 4.10% of their annual covered salary and the Agency is required to contribute 6.35% of annual covered payroll for the years ended June 30, 2009, 2008 and 2007. Contribution requirements are established by state statute. The Agency’s contributions to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$5,774, \$5,289 and \$4,465, respectively, equal to the required contributions for each year.

**(8) Risk Management**

The Agency 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. The Agency assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(9) Explanation of the Differences between the Governmental Fund Balance Sheet and the Statement of Net Assets**

Total fund balance – General Fund	\$ 521,408
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental fund. The cost of assets is \$3,628,247 and the accumulated depreciation is \$2,141,497	1,486,750
Certain liabilities applicable to the Agency’s governmental activities are not due and payable in the current period and, therefore, are not reported as governmental fund liabilities.	<u>(3,674)</u>
Net assets of governmental activities	<u>\$ 2,004,484</u>

**(10) Explanation of the Differences between the Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities**

Net change in fund balance - General Fund \$ (17,356)

The governmental fund reports capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets.

Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 348,527	
Depreciation expense	<u>(182,168)</u>	166,359

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets.

Repayment of long-term liabilities is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as follows:

Issued	(10,116)	
Repaid	<u>7,300</u>	(2,816)

In the Statement of Activities, the loss on the sale of capital assets is reported, whereas the governmental fund reports the proceeds from the sale as an increase in financial resources. (4,518)

Compensated absences reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund. (70)

Change in net assets of governmental activities \$ 141,599

**(11) Pending Litigation**

The Agency is a defendant in a lawsuit. The probability and amount of loss, if any, is indeterminable.

**Required Supplementary Information**

Heart of Iowa Regional Transit Agency

Budgetary Comparison Schedule of Revenues, Expenditures and Changes  
in Fund Balance – Actual and Budget - General Fund

Required Supplementary Information

Year ended June 30, 2009

	Actual	Less Funds Not Required to be Budgeted	Net	Original Budget	Final Budget	Favorable (Unfavorable) Variance
Revenues:						
Federal sources	\$ 1,117,717	-	1,117,717	2,341,924	2,341,924	(1,224,207)
State sources	521,689	-	521,689	556,598	589,878	(68,189)
Local sources	646,064	570,695	75,369	381,324	381,324	(305,955)
Miscellaneous	924,134	-	924,134	852,500	852,500	71,634
Total revenues	<u>3,209,604</u>	<u>570,695</u>	<u>2,638,909</u>	<u>4,132,346</u>	<u>4,165,626</u>	<u>(1,526,717)</u>
Expenditures:						
State transit assistance	516,624	-	516,624	517,103	550,383	33,759
Federal transit assistance-capital	460,889	-	460,889	1,996,500	1,996,500	1,535,611
Federal transit assistance-operating	1,294,265	570,695	723,570	763,143	763,143	39,573
Other	958,755	-	958,755	850,600	850,600	(108,155)
Total expenditures	<u>3,230,533</u>	<u>570,695</u>	<u>2,659,838</u>	<u>4,127,346</u>	<u>4,160,626</u>	<u>1,500,788</u>
Excess (deficiency) of revenues over (under) expenditures	(20,929)	-	(20,929)	5,000	5,000	(25,929)
Other financing sources, net	3,573	-	3,573	5,000	5,000	1,427
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(17,356)	-	(17,356)	10,000	10,000	(27,356)
Fund balance beginning of year	538,764	-	538,764	387,192	387,194	151,570
Fund balance end of year	<u>\$ 521,408</u>	<u>-</u>	<u>521,408</u>	<u>397,192</u>	<u>397,194</u>	<u>124,214</u>

See accompanying independent auditor's report.

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Heart of Iowa Regional Transit Agency

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2009

The Executive Director of the Heart of Iowa Regional Transit Agency prepares an annual budget for the Agency's general operations. This budget is approved and monitored by the Board. Budgetary control is based on total expenditures.

During the year, one budget amendment increased budgeted revenues by \$33,280 and increased budgeted disbursements by \$33,280. The budget amendment is reflected in the final budgeted amounts.

**Heart of Iowa Regional Transit Agency**

**Other Supplementary Information**

**Schedule 1**

Heart of Iowa Regional Transit Agency  
 Schedule of Revenues, Expenditures and  
 Changes in Fund Balance by Object

General Fund

Year ended June 30, 2009

	State	Federal		Other	Total
	Transit Assistance	Transit Assistance			
		Capital	Operating		
Revenues:					
Federal sources	\$ -	391,276	721,886	4,555	1,117,717
State sources	521,689	-	-	-	521,689
Local sources	-	73,639	572,425	-	646,064
Miscellaneous	-	-	-	924,134	924,134
Total revenues	521,689	464,915	1,294,311	928,689	3,209,604
Expenditures:					
Financial assistance to local transit subcontractors	319,813	460,889	723,570	958,755	2,463,027
Local matching services	-	-	570,695	-	570,695
Administration:					
Salaries and benefits	123,738	-	-	-	123,738
Professional services	14,940	-	-	-	14,940
Telephone	3,719	-	-	-	3,719
Rent and insurance	14,493	-	-	-	14,493
Office supplies	3,184	-	-	-	3,184
Travel and meetings	6,991	-	-	-	6,991
Equipment	3,077	-	-	-	3,077
Advertising	11,346	-	-	-	11,346
Dues	4,624	-	-	-	4,624
Miscellaneous	10,699	-	-	-	10,699
Total expenditures	516,624	460,889	1,294,265	958,755	3,230,533
Excess (deficiency) of revenues over (under) expenditures	5,065	4,026	46	(30,066)	(20,929)
Other financing sources (uses):					
Sale of general fixed assets	-	-	-	757	757
Loan proceeds	-	-	-	10,116	10,116
Loan repayment	-	-	-	(7,300)	(7,300)
Total other financing sources (uses)	-	-	-	3,573	3,573
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	5,065	4,026	46	(26,493)	(17,356)
Fund balance beginning of year	230,128	20,572	41,792	246,272	538,764
Fund balance end of year	\$ 235,193	24,598	41,838	219,779	521,408

See accompanying independent auditor's report.

Heart of Iowa Regional Transit Agency  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2009

Grantor/ Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect:			
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Federal Transit - Capital Investment Grants	20.500	04-0105-110-06	\$ 80,726
Federal Transit - Capital Investment Grants	20.500	04-0113-110-08	56,864
			<u>137,590</u>
Formula Grants for Other Than Urbanized Areas	20.509	18-0028-110-09	312,049
Formula Grants for Other Than Urbanized Areas	20.509	18-0027-110-06	45,961
Formula Grants for Other Than Urbanized Areas	20.509	18-0028-110-07	144,581
Formula Grants for Other Than Urbanized Areas	20.509	TF-2009-070	350
Formula Grants for Other Than Urbanized Areas	20.509	TF-2009-065	169
Formula Grants for Other Than Urbanized Areas	20.509	TF-2009-026	746
Formula Grants for Other Than Urbanized Areas	20.509	TF-2009-145	60
Formula Grants for Other Than Urbanized Areas	20.509	TF-2008-146	60
Formula Grants for Other Than Urbanized Areas	20.509	TF-2009-166	1,024
Formula Grants for Other Than Urbanized Areas	20.509	TF-2009-150	62
Formula Grants for Other Than Urbanized Areas	20.509	TF-2009-242	522
Formula Grants for Other Than Urbanized Areas	20.509	TF-2009-243	392
			<u>505,976</u>
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	16-X001-110-09	404,784
Job Access - Reverse Commute	20.516	37-X011-110-06	4,555
New Freedom Operating Assistance Project	20.521	57-X002-110-09	6,734
Total indirect			<u>\$ 1,059,639</u>

**Basis of Presentation** – The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Heart of Iowa Regional Transit Agency and is presented on the modified 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. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

**Heart of Iowa Regional Transit Agency**



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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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 Board Members of the Heart of  
Iowa Regional Transit Agency:

We have audited the accompanying financial statements of the governmental activities and the major fund of the Heart of Iowa Regional Transit Agency as of and for the year ended June 30, 2009, and have issued our report thereon dated February 23, 2010. We conducted our 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Heart of Iowa Regional Transit Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the Heart of Iowa Regional Transit Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Heart of Iowa Regional Transit Agency'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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency and a material weakness.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Heart of Iowa Regional Transit Agency's ability to initiate, authorize, record, process or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of the Heart of Iowa Regional Transit Agency's financial statements that is more than inconsequential will not be prevented or detected by the Heart of Iowa Regional Transit Agency's internal control. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the Heart of Iowa Regional Transit Agency's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above and reported as item II-A-09 is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Heart of Iowa Regional Transit Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters, 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 or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the Agency's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Agency. 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.

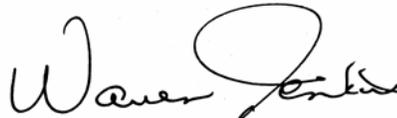
The Heart of Iowa Regional Transit Agency's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusion on the Agency's response, we did not audit the Heart of Iowa Regional Transit Agency's response and, accordingly, we express no opinion on it.

This report, a public record by law, is intended solely for the information and use of the officials and employees of the Heart of Iowa Regional Transit Agency and other parties to whom the Heart of Iowa Regional Transit Agency 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.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Heart of Iowa Regional Transit Agency during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

February 23, 2010



**OFFICE OF AUDITOR OF STATE  
STATE OF IOWA**

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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 Board Members of the Heart of  
Iowa Regional Transit Agency:

Compliance

We have audited the compliance of the Heart of Iowa Regional Transit Agency with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. The Heart of Iowa Regional Transit Agency's 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 grant agreements applicable to each of its major federal programs is the responsibility of the Heart of Iowa Regional Transit Agency's management. Our responsibility is to express an opinion on the Heart of Iowa Regional Transit Agency's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, 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 non-compliance 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 the Heart of Iowa Regional Transit Agency's 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 the Heart of Iowa Regional Transit Agency's compliance with those requirements.

In our opinion, the Heart of Iowa Regional Transit Agency complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of the Heart of Iowa Regional 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 the Heart of Iowa Regional Transit Agency'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, 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 the Heart of Iowa Regional Transit Agency's internal control over compliance.

A control deficiency in the Agency's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Agency's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Agency's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the Agency's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the Agency's internal control that might be significant deficiencies or material weaknesses as defined below. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the Heart of Iowa Regional Transit Agency and other parties to whom the Heart of Iowa Regional Transit Agency 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.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

February 23, 2010

Heart of Iowa Regional Transit Agency  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2009

**Part I: Summary of the Independent Auditor's Results**

- (a) Unqualified opinions were issued on the financial statements.
- (b) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements, which was considered to be a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses over internal control for a major program were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any audit findings required to be reported in accordance with Office of Management and Budget Circular A-133, Section 510(a).
- (g) The major programs were as follows:
  - CFDA Number 20.500 – Federal Transit – Capital Investment Grants
  - CFDA Number 20.509 – Formula Grants for Other than Urbanized Areas
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The Heart of Iowa Regional Transit Agency did not qualify as a low-risk auditee.

Heart of Iowa Regional Transit Agency  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2009

**Part II: Findings Related to the Financial Statements:**

**SIGNIFICANT DEFICIENCY:**

II-A-09 Financial Reporting – Certain capital asset deletions were not removed from the capital asset records. Additionally, certain accounts receivable and accounts payable were not accrued. These matters were resolved for audit purposes.

Recommendation – The Heart of Iowa Regional Transit Agency (HIRTA) should ensure all capital asset deletions are recorded in the capital asset records and all accounts receivable and accounts payable are identified and accrued.

Response – The HIRTA staff will work with the HIRTA’s accountant to resolve these issues and to ensure that capital asset deletions are removed from the record and the accounts receivable and accounts payable are identified and accrued.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

Heart of Iowa Regional Transit Agency  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2009

**Part III: Findings and Questioned Costs for Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**SIGNIFICANT DEFICIENCIES:**

No material weaknesses in internal control over the major programs were noted.

Heart of Iowa Regional Transit Agency  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2009

**Part IV: Other Findings Related to Required Statutory Reporting:**

- (1) Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (2) Travel Expense – No expenditures for travel expenses of spouses of Agency officials or employees were noted.
- (3) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Agency’s investment policy were noted.
- (4) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

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Heart of Iowa Regional Transit Agency

Staff

This audit was performed by:

Ernest H. Ruben Jr., CPA, Manager  
Michael J. Hackett, Senior Auditor  
Gabriel M. Stafford, CPA, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large, prominent initial "A".

Andrew E. Nielsen, CPA  
Deputy Auditor of State