



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

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Mary Mosiman, CPA  
Auditor of State

NEWS RELEASE

FOR RELEASE

March 19, 2014

Contact: Andy Nielsen  
515/281-5834

Auditor of State Mary Mosiman today released an audit report on the Heart of Iowa Regional Transit Agency, Des Moines, Iowa, for the year ended June 30, 2013.

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 \$3,276,047 for the year ended June 30, 2013, a 9% decrease from the prior year. Revenues included \$882,588 from federal sources, \$592,137 from state sources, \$1,217,891 from local sources and miscellaneous revenues totaling \$583,431.

Expenses for the year ended June 30, 2013 totaled \$3,580,457, a 10% increase over the prior year. Expenses included \$1,097,586 for salaries and benefits, \$788,256 for financial assistance to local transit subcontractors and \$662,169 for vehicle maintenance.

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/1314-2402-B00F.pdf>.

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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, 2013**

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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>		
Wayne E. Clinton	Chairperson	Story County
Kirk Macumber	Vice Chairperson	Madison County
Steve Wilson	Secretary/Treasurer	Warren County
Chett Hollingshead	Member	Boone County
Kim Chapman	Member	Dallas County
Joe Brock	Member	Jasper County
Jim Kingery	Member	Marion County

**Agency**

Julia Castillo	Executive Director
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**Iowa Department of Transportation**

Michelle McEnany	Office of Public Transit Director
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**Heart of Iowa Regional Transit Agency**



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Des Moines, Iowa 50319-0004

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Heart of Iowa Regional Transit Agency, Iowa, as of and for the year ended June 30, 2013, and the related Notes to Financial Statements, which collectively comprise the Agency's financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 from material misstatement.

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

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Heart of Iowa Regional Transit Agency as of June 30, 2013, and the respective changes in financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

## Other Matters

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis and the Budgetary Comparison Information on pages 9 through 12 and 24 and 25 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Heart of Iowa Regional Transit Agency's financial statements. The supplementary information included in Schedule 1, 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.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 6, 2014 on our consideration of the Heart of Iowa Regional Transit Agency's internal control over financial reporting and on 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 in considering the Heart of Iowa Regional Transit Agency's internal control over financial reporting and compliance.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

March 6, 2014

**Heart of Iowa Regional Transit Agency**

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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, 2013 and is provided for consideration in conjunction with the Agency's financial statements, which follow.

### **2013 FINANCIAL HIGHLIGHTS**

- The Agency received \$1,474,725 during the fiscal year from a combination of federal and state grants, a decrease of 29.17%, or \$607,393, compared to the previous fiscal year. The decrease is due primarily to receiving federal funding in the prior year to expand the Agency's bus and van fleet.
- Expenses increased 9.91%, or \$322,819, over the prior fiscal year due to an increase in salaries and benefits and maintenance and insurance of vehicles as a result of expanded services with the new bus and van fleet obtained in the prior year.
- The Agency's net position decreased 9.13%, or \$292,479, from June 30, 2012 to June 30, 2013.

### **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 Position 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.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the entity-wide financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the Agency's budget for the year.

Supplementary Information includes the Schedule of Expenditures of Federal Awards, which 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 Position 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 Position presents all of the Agency's assets and liabilities, with the difference between the two reported as "net position". Over time, increases or decreases in the Agency's net position 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 position changed during the most recent fiscal year. All changes in net position 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 years.

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

### ENTITY-WIDE FINANCIAL ANALYSIS

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

Net Position of Governmental Activities		
	June 30,	
	2013	2012
Current and other assets	\$ 876,522	874,576
Capital assets	2,261,893	2,621,459
Total assets	3,138,415	3,496,035
Current liabilities	226,985	292,126
Net position:		
Net investment in capital assets	2,261,893	2,621,459
Restricted	-	248,918
Unrestricted	649,537	333,532
Total net position	\$ 2,911,430	3,203,909

Net position of the Agency decreased 9.13% (from \$3,203,909 to \$2,911,430) during the year. This decrease is primarily due to increased costs related to the expansion of routes and services as a result of the expansion of the Agency's bus and van fleet in the prior year.

Change in Net Position of Governmental Activities		
	Year ended June 30,	
	2013	2012
Program revenues:		
Federal sources	\$ 882,588	1,582,035
State sources	592,137	500,083
Local sources	1,217,891	634,491
Miscellaneous	583,431	897,687
Total revenues	<u>3,276,047</u>	<u>3,614,296</u>
Program expenses:		
Financial assistance to local transit subcontractors	788,256	1,799,260
Local matching services	262,888	292,626
Administration:		
Salaries and benefits	1,097,586	284,789
Professional services	59,911	38,158
Telephone	16,909	9,458
Rent and insurance	69,318	27,387
Office supplies	12,318	3,132
Travel and meetings	11,509	7,944
Equipment	35,156	106,882
Vehicle maintenance	662,169	138,715
Technology	-	71,102
Advertising	33,349	15,312
Dues	5,544	6,743
Miscellaneous	110,219	59,773
Depreciation	415,325	396,357
Total expenses	<u>3,580,457</u>	<u>3,257,638</u>
Excess (deficiency) of revenues over (under) expenses	(304,410)	356,658
Other financing sources, net	11,931	-
Increase (decrease) in net position	(292,479)	356,658
Net position beginning of year	<u>3,203,909</u>	<u>2,847,251</u>
Net position end of year	<u>\$ 2,911,430</u>	<u>3,203,909</u>

In fiscal year 2013, the Agency's total revenues decreased \$338,249, or 9.36%, from fiscal year 2012. The decrease was primarily the result of receiving less revenue from federal sources. In the prior year, federal funds were received to purchase new vehicles for the transit fleet and directly run services in Jasper County. These funds were not received in the current year.

### **BUDGETARY HIGHLIGHTS**

As shown in the Budgetary Comparison Schedule, budgeted revenues exceeded actual revenues by \$595,734 and budgeted expenditures exceeded actual expenditures by \$761,228. The result was primarily due to budgeting for more revenue sources than received and budgeting more for financial assistance to local transit subcontractors than was provided. The Agency did not amend the budget during the year ended June 30, 2013.

## **CAPITAL ASSETS AND DEBT**

### **Capital Assets**

At June 30, 2013, the Agency had \$2,261,893 invested in vehicles and equipment, net of accumulated depreciation. More detailed information about the Agency's capital assets is presented in Note 3 to the financial statements.

### **Debt**

At June 30, 2013, the Agency had \$16,239 of loans payable. More detailed information about the Agency's debt is presented in Note 4 to the financial statements.

## **NEXT YEAR'S BUDGET**

The budgeted revenues and expenditures increased 5.1% and 10.8%, respectively, for fiscal year 2014 over actual fiscal year 2013 amounts. As services continue to expand, additional revenue is generated and salaries and benefits increase.

## **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 2840 104th Street, Urbandale, Iowa 50322.

## **Financial Statements**

**Exhibit A**

Heart of Iowa Regional Transit Agency  
Governmental Fund Balance Sheet/Statement of Net Position  
June 30, 2013

<b>Assets</b>	General Fund	Adjustments	Statement of Net Position
Cash and investments	\$ 304,323	-	304,323
Accounts receivable	572,199	-	572,199
Capital assets, net of accumulated depreciation of \$2,439,153	-	2,261,893	2,261,893
Total assets	<u>\$ 876,522</u>	2,261,893	3,138,415
<b>Liabilities</b>			
Accounts payable	\$ 204,256	-	204,256
Deferred revenue	29,367	(29,367)	-
Compensated absences	-	6,490	6,490
Loans payable	-	16,239	16,239
Total liabilities	233,623	(6,638)	226,985
<b>Fund balance/Net position</b>			
Unassigned fund balance	642,899	(642,899)	-
Total liabilities and fund balance	<u>\$ 876,522</u>		
Net position:			
Net investment in capital assets		2,261,893	2,261,893
Unrestricted		649,537	649,537
Total net position		<u>\$ 2,911,430</u>	2,911,430

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, 2013

	General Fund	Adjustments	Statement of Activities
<b>Revenues</b>			
Program revenues:			
Federal sources	\$ 1,101,273	(218,685)	882,588
State sources	588,155	3,982	592,137
Local sources	1,217,891	-	1,217,891
Miscellaneous	595,821	(12,390)	583,431
Total revenues	<u>3,503,140</u>	<u>(227,093)</u>	<u>3,276,047</u>
<b>Expenditures/Expenses</b>			
Financial assistance to local transit			
subcontractors	785,881	2,375	788,256
Local matching services	262,888	-	262,888
Administration:			
Salaries and benefits	1,095,846	1,740	1,097,586
Professional services	59,911	-	59,911
Telephone	16,909	-	16,909
Rent and insurance	69,318	-	69,318
Office supplies	12,318	-	12,318
Travel and meetings	11,509	-	11,509
Equipment	93,690	(58,534)	35,156
Vehicle maintenance	662,169	-	662,169
Advertising	33,349	-	33,349
Dues	5,544	-	5,544
Miscellaneous	110,219	-	110,219
Depreciation	-	415,325	415,325
Total expenditures/expenses	<u>3,219,551</u>	<u>360,906</u>	<u>3,580,457</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	<u>283,589</u>	<u>(587,999)</u>	<u>(304,410)</u>
Other financing sources (uses):			
Sale of capital assets	400	(400)	-
Insurance reimbursement	11,931	-	11,931
Loan proceeds	32,478	(32,478)	-
Loan repayments	(16,239)	16,239	-
Total other financing sources (uses)	<u>28,570</u>	<u>(16,639)</u>	<u>11,931</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	<u>312,159</u>	<u>(312,159)</u>	<u>-</u>
Change in net position	-	(292,479)	(292,479)
Fund balance /net position beginning of year	<u>330,740</u>	<u>2,873,169</u>	<u>3,203,909</u>
Fund balance /net position end of year	<u>\$ 642,899</u>	<u>2,268,531</u>	<u>2,911,430</u>

See notes to financial statements.

Heart of Iowa Regional Transit Agency

Notes to Financial Statements

June 30, 2013

**(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 14 and 15 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 is referred to as "fund balance."

The entity-wide financial statements (i.e., the Statement of Net Position 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.

The Statement of Net Position presents the Agency's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in the following categories:

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation.

*Unrestricted net position* consists of net position not meeting the definition of the preceding category. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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 year or soon enough thereafter to pay liabilities of the current year. 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.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the Agency's policy is to pay the expenditure from restricted fund balance and then from the less-restrictive unassigned fund balance.

D. Budget

The Executive Director of the 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 Position column in 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.

<u>Asset Class</u>	<u>Amount</u>
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 Position column in Exhibit A. This liability has been computed based on rates of pay in effect at June 30, 2013.

G. Fund Balance

In the governmental fund financial statements, fund balances are classified as unassigned as there are no constraints placed on the use of resources.

**(2) Cash and Investments**

The Agency's deposits in banks at June 30, 2013 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, 2013 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital assets being depreciated:				
Vehicles	\$ 4,610,618	58,534	(18,500)	4,650,652
Equipment	50,394	-	-	50,394
Total	4,661,012	58,534	(18,500)	4,701,046
Less accumulated depreciation:				
Vehicles	1,991,021	415,325	(15,725)	2,390,621
Equipment	48,532	-	-	48,532
Total	2,039,553	415,325	(15,725)	2,439,153
Capital assets, net	\$ 2,621,459	(356,791)	(2,775)	2,261,893

**(4) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2013 is as follows:

	Compensated		Total
	Loan	Absences	
Balance beginning of year	\$ -	4,750	4,750
Increases	32,478	2,742	35,220
Decreases	16,239	1,002	17,241
Balance end of year	\$ 16,239	6,490	22,729

During the year ended June 30, 2013, the Agency entered into a loan agreement with the Iowa Department of Transportation for \$32,478 for matching funds for a centralized routing project at an interest rate of 0% per annum. The loan agreement requires two payments, with the final payment due July 15, 2014.

**(5) Operating Leases**

The Agency has entered into agreements to lease office facilities. These leases are classified as operating leases and, accordingly all rents are charged to expenses as incurred. The leases expire on June 30, 2017. Certain leases are renewable for additional periods. The leases also require the payment of normal maintenance and insurance on the properties.

A schedule of future minimum rental payments required under operating leases which have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2013 is as follows:

Year ending June 30,	Urbandale Office	Ames Office	Total
2014	\$ 27,266	24,144	51,410
2015	27,266	24,144	51,410
2016	28,136	24,144	52,280
2017	28,136	24,144	52,280
Total	\$ 110,804	96,576	207,380

Total rent expense for the year ended June 30, 2013 for all operating leases was \$44,287.

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

Contributed support and matching services of \$262,888 were donated to the Agency by local transit subcontractors during the year ended June 30, 2013. These amounts are included in local sources revenues and local matching services 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 5.78% of their annual covered salary and the Agency is required to contribute 8.67% of covered salary. Contribution requirements are established by state statute. The Agency's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$76,578, \$19,087 and \$7,132, 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 Position**

Total fund balance - General Fund	\$ 642,899
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 \$4,701,046 and the accumulated depreciation is \$2,439,153.	2,261,893
Other assets are not available to pay current year expenditures and, therefore, are deferred in the governmental fund.	29,367
Certain liabilities applicable to the Agency's governmental activities are not due and payable in the current year and, therefore, are not reported as governmental fund liabilities.	<u>(22,729)</u>
Net position of governmental activities	<u>\$ 2,911,430</u>

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

Change in fund balance - General Fund		\$ 312,159
<p>The governmental fund reports capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Depreciation expense exceeded capital outlay expenditures in the current year, as follows:</p>		
Expenditures for capital assets	58,534	
Depreciation expense	<u>(415,325)</u>	(356,791)
<p>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.</p>		
		(2,775)
<p>Because some revenues will not be collected for several months after the Agency's year end, they are not considered available revenues and are deferred in the governmental funds.</p>		
		(227,093)
<p>Proceeds from issuing loans payable provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long term liabilities in the Statement of Net Position. Current year issues exceeded repayments, as follows:</p>		
Issued	(32,478)	
Repaid	<u>16,239</u>	(16,239)
<p>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.</p>		
		<u>(1,740)</u>
Change in net position of governmental activities		<u>\$ (292,479)</u>

**Heart of Iowa Regional Transit Agency**

**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, 2013

	Actual	Less Funds Not Required to be Budgeted	Net	Original and Final Budget	Favorable (Unfavorable) Variance
<b>Revenues:</b>					
Federal sources	\$ 1,101,273	-	1,101,273	1,296,993	(195,720)
State sources	588,155	-	588,155	716,433	(128,278)
Local sources	1,217,891	262,888	955,003	1,114,385	(159,382)
Miscellaneous	595,821	-	595,821	708,175	(112,354)
Total revenues	3,503,140	262,888	3,240,252	3,835,986	(595,734)
<b>Expenditures:</b>					
Financial assistance to local transit subcontractors	785,881	-	785,881	1,796,700	1,010,819
Local matching services	262,888	262,888	-	-	-
<b>Administration:</b>					
Salaries and benefits	1,095,846	-	1,095,846	879,456	(216,390)
Professional services	59,911	-	59,911	50,848	(9,063)
Telephone	16,909	-	16,909	11,000	(5,909)
Rent and insurance	69,318	-	69,318	90,360	21,042
Office supplies	12,318	-	12,318	9,100	(3,218)
Travel and meetings	11,509	-	11,509	8,700	(2,809)
Equipment	93,690	-	93,690	24,085	(69,605)
Vehicle maintenance	662,169	-	662,169	470,000	(192,169)
Advertising	33,349	-	33,349	15,200	(18,149)
Dues	5,544	-	5,544	6,500	956
Miscellaneous	110,219	-	110,219	355,942	245,723
Total expenditures	3,219,551	262,888	2,956,663	3,717,891	761,228
Excess (deficiency) of revenues over (under) expenditures	283,589	-	283,589	118,095	165,494
Other financing sources, net	28,570	-	28,570	(14,382)	42,952
Excess (deficiency) of revenues and other financing sources over (under) expenditures	312,159	-	312,159	103,713	208,446
Fund balance beginning of year	330,740	-	330,740	450,583	(119,843)
Fund balance end of year	\$ 642,899	-	642,899	554,296	88,603

See accompanying independent auditor's report.

Heart of Iowa Regional Transit Agency

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2013

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.

There were no budget amendments during the year ended June 30, 2013.

**Supplementary Information**

Heart of Iowa Regional Transit Agency  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2013

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	04-0117-110-12	\$ 53,559
Formula Grants for Other Than Urbanized Areas (Payments to subrecipients of \$433,327)	20.509	18-0030-110-13	782,219
New Freedom Program	20.521	57-0008-110-12	800
New Freedom Program	20.521	57-0002-110-12	7,979
New Freedom Program	20.521	57-0002-110-13	7,692
New Freedom Program	20.521	57-X008-110-13	30,339
			46,810
Total indirect			\$ 882,588

**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 in 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 financial statements.

See accompanying independent auditor's report.

**Heart of Iowa Regional Transit Agency**



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

Mary Mosiman, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

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 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, the financial statements of the governmental activities and the major fund of the Heart of Iowa Regional Transit Agency, Iowa, as of and for the year ended June 30, 2013, and the related Notes to Financial Statements, which collectively comprise the Agency's financial statements, and have issued our report thereon dated March 6, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Heart of Iowa Regional Transit Agency's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Heart of Iowa Regional Transit Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Heart of Iowa Regional Transit Agency's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Agency's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify and deficiencies in internal control we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal controls, described in the accompanying Schedule of Findings and Questioned Costs as items II-A-13 through II-C-13, we consider to be significant deficiencies.

## 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, 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. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the Agency's operations for the year ended June 30, 2013 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 Responses to the Findings

The Heart of Iowa Regional Transit Agency's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The Heart of Iowa Regional Transit Agency's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## Purpose of this Report

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

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.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

March 6, 2014

**Independent Auditor's Report on Compliance  
for Each Major Federal Program and on Internal Control over Compliance  
Required by with OMB Circular A-133**

**Heart of Iowa Regional Transit Agency**



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

Mary Mosiman, CPA  
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Independent Auditor's Report on Compliance  
for Each Major Federal Program and on Internal Control over Compliance  
Required by with OMB Circular A-133

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

Report on Compliance for Each Major Federal Program

We have audited the Heart of Iowa Regional Transit Agency, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on its major federal program for the year ended June 30, 2013. The Heart of Iowa Regional Transit Agency's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Heart of Iowa Regional Transit Agency's major federal program based on our audit of the types of compliance requirements referred to above. 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 on compliance for the major federal program. However, our audit does not provide a legal determination of the Heart of Iowa Regional Transit Agency's compliance.

Opinion on Each Major Federal Program

In our opinion, the Heart of Iowa Regional Transit Agency complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2013.

## Report on 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 the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Heart of Iowa Regional Transit Agency's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program 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 the Heart of Iowa Regional Transit Agency'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 a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of 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 material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as item III-A-13, we consider to be a significant deficiency.

The Heart of Iowa Regional Transit Agency's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The Heart of Iowa Regional Transit Agency's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

March 6, 2014

Heart of Iowa Regional Transit Agency  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2013

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

- (a) Unmodified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A significant deficiency in internal control over the major program was disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed audit findings required to be reported in accordance with Office of Management and Budget Circular A-133, Section 510(a).
- (g) The major program was 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, 2013

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

**INTERNAL CONTROL DEFICIENCIES:**

- II-A-13 Employee Timesheets - Salaried personnel of the Agency do not prepare timesheets. In addition, hourly employee timesheets are not always approved by a supervisor or retained.

Recommendation - Timesheets should be prepared by all personnel in all departments, salaried as well as hourly, and should be submitted to the employee's supervisor prior to processing payroll each pay period. The timesheets should be approved by the employee and should be reviewed and approved by the employee's immediate supervisor or the Agency Executive Director prior to payroll calculation. The timesheets should support all hours worked and all hours taken as vacation, sick leave, compensatory time, holiday hours and personal days.

Response - As of January 1, 2014, HIRTA will require all employees to complete timesheets and have those timesheets signed by a Supervisor or Management.

Conclusion - Response accepted.

- II-B-13 Initial Listing - A listing of cash and checks received in the mail is not prepared.

Recommendation - The employee opening the mail should prepare a list of checks and cash received at least on a test basis. Later, the listing should be compared to the cash receipt records.

Response - As of December 9, 2013, the mail is being opened and checks/cash received are being logged into a spreadsheet and once per week the spreadsheet will be compared by an independent employee to the actual checks received.

Conclusion - Response accepted.

- II-C-13 Disaster Recovery Plan - The Agency has a written disaster recovery plan, but the plan is missing essential elements.

Recommendation - The written disaster recovery plan should be updated to include essential elements.

Response - A more extensive plan will be developed and approved by the HIRTA Board by March 27, 2014.

Conclusion - Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Heart of Iowa Regional Transit Agency  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2013

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

**INTERNAL CONTROL DEFICIENCIES:**

**CFDA Number 20.509: Formula Grants for Other Than Urbanized Areas**  
**Pass-through Agency Number: 18-0030-110-13**  
**Federal Award Year: 2013**  
**U.S. Department of Transportation**  
**Passed through the Iowa Department of Transportation**

III-A-13 Monitoring Reviews – The Agency monitors the local subcontractors to ensure they comply with the requirements for the Formula Grants for Other Than Urbanized Areas program. Audit reports are received, but there is no evidence the audit reports were reviewed.

Recommendation – The Agency should implement procedures to ensure audit reports for all local subcontractors are reviewed and evidence of the review is documented.

Response – The Board Treasurer is provided with all contractor audit reports and he reviews and reports to the Board if there are any issues. HIRTA will start putting this as an Action item so it is recorded in the Board minutes.

Conclusion – Response accepted.

Heart of Iowa Regional Transit Agency  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2013

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

- IV-A-13 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.
- IV-B-13 Travel Expense – No expenditures for travel expenses of spouses of Agency officials or employees were noted.
- IV-C-13 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.
- IV-D-13 Board Minutes – Except employee salaries were not approved in the Board minutes, no transactions were found that we believe should have been approved in the Board minutes but were not.

In addition, a summary of minutes, bills and annual salaries were not published.

Recommendation – The Board should record all actions to establish or amend individual salaries or wages in its minutes. The Agency should also publish a summary of minutes, bills and annual salaries.

Response – Salaries were approved within the budget for fiscal year 2013. In fiscal year 2014, this was changed and the Board approved salaries separate of the budget.

Conclusion – Response accepted.

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Heart of Iowa Regional Transit Agency

Staff

This audit was performed by:

Pamela J. Bormann, CPA, Manager  
Jessica PV. Green, Senior Auditor  
Tyler J. Guffy, Staff Auditor  
Megan E. Irvin, Assistant Auditor

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

Andrew E. Nielsen, CPA  
Deputy Auditor of State