



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

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

NEWS RELEASE

FOR RELEASE _____ **February 13, 2003** _____ **Contact: Andy Nielsen**
515/281-5515

The Office of Auditor of State today released an audit report on the Heart of Iowa Regional Transit Agency, Des Moines, for the year ended June 30, 2002.

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 Office reported that the Agency had revenues of \$1,225,884 for the year ended June 30, 2002, a 29% decrease from the prior year. Expenditures for the year totaled \$1,187,467, a 27% decrease from the prior year. The reductions in revenues and expenditures are due primarily to reductions in federal grants received to acquire buses and vans during the year.

A copy of the audit report is available for review in the office of the Auditor of State.

###

HEART OF IOWA REGIONAL TRANSIT AGENCY
INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2002

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		5
General Purpose Financial Statements:	<u>Exhibit</u>	
Combined Balance Sheet – Governmental Fund Type and Account Groups	A	9
Statement of Revenues, Expenditures, and Changes in Fund Balance – Actual and Budget – Special Revenue Fund	B	10-11
Notes to Financial Statements		12-16
Supplemental Information:	<u>Schedule</u>	
Revenues, Expenditures and Changes in Fund Balance by Object – Special Revenue Fund	1	18
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting		21-22
Schedule of Findings		24-25
Staff		26

Heart of Iowa Regional Transit Agency

Officials

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Board of Directors		
David Reed	Chairperson	Boone County
Cy McDonald	Vice Chairperson	Madison County
Kevin Middleswart	Secretary/Treasurer	Warren County
Max Worthington	Member	Jasper County
Alice Wicker	Member	Dallas County
K.C. Valster	Member	Marion County
Wayne Clinton	Member	Story County

Agency

Jeanette Scoles	Executive Director
-----------------	--------------------

Iowa Department of Transportation

Samil Semet	Transit Program Administrator
-------------	-------------------------------

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

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

Independent Auditor's Report

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

We have audited the accompanying general purpose financial statements, listed as exhibits in the table of contents of this report, of the Heart of Iowa Regional Transit Agency as of and for the year ended June 30, 2002. These general purpose financial statements are the responsibility of Heart of Iowa Regional Transit Agency's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Heart of Iowa Regional Transit Agency at June 30, 2002, and the results of its operations 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 November 27, 2002 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 and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplemental information included in Schedule 1 is presented for purposes of additional analysis and is not a required part of the general purpose 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 general purpose financial statements taken as a whole.

November 27, 2002

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

Heart of Iowa Regional Transit Agency

Financial Statements

Heart of Iowa Regional Transit Agency

Heart of Iowa Regional Transit Agency

Combined Balance Sheet

Governmental Fund Type and Account Groups

June 30, 2002

	Governmental Fund Type Special Revenue	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Debt	
Assets and Other Debits				
Cash and investments (note 2)	\$ 448,127	-	-	448,127
Accounts receivable	36,076	-	-	36,076
Prepaid expenditures	231	-	-	231
Property and equipment (note 3)	-	972,676	-	972,676
Amount to be provided for retirement of general long-term debt	-	-	4,370	4,370
Total assets and other debits	\$ 484,434	972,676	4,370	1,461,480
Liabilities, Fund Equity and Other Credits				
Liabilities:				
Accounts payable	\$ 30,655	-	-	30,655
Compensated absences (note 4)	-	-	4,370	4,370
Total liabilities	30,655	-	4,370	35,025
Fund equity and other credits:				
Investment in general fixed assets	-	972,676	-	972,676
Unreserved fund balance	453,779	-	-	453,779
Total fund equity and other credits	453,779	972,676	-	1,426,455
Total liabilities, fund equity and other credits	\$ 484,434	972,676	4,370	1,461,480

See notes to financial statements.

Heart of Iowa Regional Transit Agency
 Combined Statement of Revenues, Expenditures and
 Changes in Fund Balance – Actual and Budget

Special Revenue Fund

Year ended June 30, 2002

	Actual	Less Funds not Required to be Budgeted
Revenues:		
Federal sources	\$ 259,926	-
State sources	462,371	-
Local sources	335,392	319,271
Miscellaneous	168,195	-
Total revenues	1,225,884	319,271
Expenditures:		
State transit assistance	420,201	-
Federal transit assistance - capital	54,913	-
Federal transit assistance - operating	531,975	319,271
Other	180,378	-
Total expenditures	1,187,467	319,271
Excess of revenues over expenditures	38,417	\$ -
Fund balance beginning of year	415,362	
Fund balance end of year	\$ 453,779	

See notes to financial statements.

Net	Amended Budget	Favorable (Unfavorable) Variance
259,926	259,934	(8)
462,371	463,405	(1,034)
16,121	16,121	-
168,195	144,718	23,477
<u>906,613</u>	<u>884,178</u>	<u>22,435</u>
420,201	441,402	21,201
54,913	61,351	6,438
212,704	212,704	-
180,378	128,263	(52,115)
<u>868,196</u>	<u>843,720</u>	<u>(24,476)</u>
<u>38,417</u>	<u>40,458</u>	<u>(2,041)</u>

Heart of Iowa Regional Transit Agency

Notes to Financial Statements

June 30, 2002

(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 applied to government units. The more significant of the Heart of Iowa Regional Transit Agency accounting policies are described below.

A. Reporting Entity

For financial reporting purposes, the Heart of Iowa Regional Transit Agency has included all funds and account groups. 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. Fund Accounting

The accounts of the Agency are organized on the basis of funds and account groups, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund balance, revenues and expenditures. The funds and account groups and their designated purposes are as follows:

Governmental Funds

Special Revenue Fund - The Special Revenue Fund is used to account for revenues derived from specific sources which are usually required by law or regulation to be accounted for in separate funds.

Account Groups

General Fixed Assets - This account group is established to account for the general fixed assets of the Agency.

General Long-Term Debt - This account group is established to account for long-term debt of the Agency. Long-term liabilities expected to be financed from governmental funds are accounted for in this account group, not in the governmental funds.

C. Measurement Focus

Governmental Funds are accounted for on a spending or “financial flow” measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance is considered a measure of “available spendable resources.” Governmental Fund operating statements present increases, revenues and other financing sources, and decreases, expenditures and other financing uses in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

Account groups are concerned only with the measurement of financial position. They are not involved with measurement of results of operations.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become both measurable and available as net current assets.

Expenditures in governmental funds are recognized under the accrual basis of accounting when the related fund liability is incurred, with the following exceptions:

1. Disbursements for property and equipment providing future benefits are considered expenditures and are capitalized in the General Fixed Assets Account Group.
2. Accumulated, unused vacation is not recorded as an expenditure at the time the leave is accumulated.

E. Budgets and Budgetary Accounting

The Director of the Heart of Iowa Regional Transit Agency prepares an annual budget for the Agency's operations on a basis consistent with U.S. generally accepted accounting principles. The budget is approved and monitored by the Board of Directors of the Heart of Iowa Regional Transit Agency. Budgetary control is based on total expenditures.

The budgetary process described above does not apply to contributed support and matching services donated by local transit subcontractors.

F. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash and Investments - Cash includes amounts in demand deposits and money market funds. Investments in the Iowa Public Agency Investment Trust are valued at amortized cost.

Property and Equipment - Property and equipment are capitalized in the General Fixed Assets Account Group at historical cost or estimated historical cost if historical cost is not available or fair market value when donated. Purchases of fixed assets are recorded as expenditures in the Special Revenue Fund.

The cost of repair and maintenance is charged to expenditures in the Special Revenue Fund when incurred, while the cost of renewals or substantial betterments is capitalized. The cost of assets disposed of is deleted. No interest costs were capitalized since there were no qualifying assets.

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. The cost of vacation leave termination payments expected to be liquidated currently are recorded as liabilities of the Governmental Fund. A liability has been recorded in the General Long-Term Debt Account Group representing the Agency's commitment to fund non-current compensated absences. This liability has been computed based on rates of pay in effect at June 30, 2002.

G. Total (Memorandum Only)

The total column on the combined balance sheet is captioned "Memorandum Only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position or results of operations in conformity with U.S. generally accepted accounting principles. Neither is such data comparable to a consolidation.

(2) Cash and Investments

The Agency's deposits in banks at June 30, 2002 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 investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$34,521 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

The Agency also had investments at June 30, 2002 consisting of mutual funds with a fair value of \$30,000 that are not subject to risk categorization.

(3) Property and Equipment

A summary of changes in property and equipment comprising general fixed assets for the year ended June 30, 2002 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Vehicles	\$ 3,061,043	83,223	114,920	3,029,346
Equipment	<u>111,796</u>	5,954	-	<u>117,751</u>
Total	<u>\$ 3,172,839</u>	<u>89,177</u>	<u>114,920</u>	3,147,097
Less accumulated depreciation				<u>(2,174,420)</u>
Net				<u>\$ 972,676</u>

Accumulated depreciation is recorded in the General Fixed Assets Account Group and is reflected in these statements as a decrease in the investment in general fixed assets.

Depreciation is computed by the straight-line method over the estimated useful life of five years with a salvage value of fifteen percent. Depreciation of \$315,696 was recorded for the year ended June 30, 2002.

(4) Changes in Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2002 is as follows:

	Compensated Absences
Balance beginning of year	\$ 6,455
Additions	3,570
Reductions	<u>(5,655)</u>
Balance end of year	<u>\$ 4,370</u>

(5) Operating Lease

The Agency has leased its office facility for a three year period ending June 30, 2003 requiring minimum monthly rental payments of \$838. The lease has been 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 rental expenditures for the year ended June 30, 2002 for the operating lease was \$10,052.

(6) Contributed Support and Matching Services

Contributed support and matching services of \$319,271 were donated to the Agency by local transit subcontractors during the year ended June 30, 2002. These amounts are included in revenues and 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 3.70% of their annual covered salary and the Agency is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by state statute. The Agency's contribution to IPERS for the years ended June 30, 2002, 2001, and 2000, were \$3,870, \$2,984, \$1,992, 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.

Supplemental Information

Schedule 1

Heart of Iowa Regional Transit Agency

Revenues, Expenditures and Changes in Fund Balance by Object

Special Revenue Fund

Year ended June 30, 2002

	State	Federal		Other	Total
	Transit Assistance	Transit Assistance Capital	Transit Assistance Operating		
Revenues:					
Federal sources	\$ -	45,648	212,704	1,574	259,926
State sources	462,371	-	-	-	462,371
Local sources	-	9,265	319,271	6,856	335,392
Miscellaneous	-	-	-	168,195	168,195
Total revenues	462,371	54,913	531,975	176,625	1,225,884
Expenditures:					
Financial assistance to local transit subcontractors	275,484	-	212,704	149,918	638,106
Local matching services	-	-	319,271	-	319,271
Administration:					
Salaries and benefits	78,618	-	-	-	78,618
Professional services	10,759	-	-	-	10,759
Telephone	2,857	-	-	-	2,857
Rent and insurance	12,712	-	-	-	12,712
Office supplies	5,073	-	-	158	5,231
Travel and meetings	4,994	-	-	1,574	6,568
Advertising	11,591	418	-	-	12,009
Equipment	6,406	54,495	-	28,728	89,629
Repair	5,353	-	-	-	5,353
Dues	4,010	-	-	-	4,010
Other	2,344	-	-	-	2,344
Total expenditures	420,201	54,913	531,975	180,378	1,187,467
Excess (deficiency) of revenues over (under) expenditures	42,170	-	-	(3,753)	38,417
Fund balance beginning of year	233,817	2,786	-	178,759	415,362
Fund balance end of year	\$ 275,987	2,786	-	175,006	453,779

See accompanying independent auditor's report.

**Independent Auditor's Report on Compliance and on
Internal Control over Financial Reporting**

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

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

Independent Auditor's Report on Compliance
and on Internal Control over Financial Reporting

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

We have audited the general purpose financial statements of the Heart of Iowa Regional Transit Agency as of and for the year ended June 30, 2002, and have issued our report thereon dated November 27, 2002. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Heart of Iowa Regional Transit Agency's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contract and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the Agency's operations for the year ended June 30, 2002 are based exclusively on knowledge obtained from procedures performed during our audit of the general purpose 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Heart of Iowa Regional Transit Agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be a material weakness. A material weakness is a condition in which the design or operation of one or more of the internal components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation 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 and employees of the Heart of Iowa Regional Transit Agency and other parties to whom the Agency may report. 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 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.

November 27, 2002

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

Heart of Iowa Regional Transit Agency

Heart of Iowa Regional Transit Agency

Schedule of Findings

Year ended June 30, 2002

Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

No material weaknesses in internal control over financial reporting were identified.

Heart of Iowa Regional Transit Agency

Schedule of Findings

Year ended June 30, 2002

Other Findings Related to Required Statutory Reporting:

- (1) Official Depositories - A resolution naming official depositories has been approved by the Agency. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2002.
- (2) Questionable Expenditures - No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (3) Travel Expense - No expenditures of money for travel expenses of spouses of Agency officials or employees were noted.
- (4) Board Minutes - No transactions were found that we believe should have been approved in the Agency's minutes but were not.
- (5) 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.

Heart of Iowa Regional Transit Agency

Staff

This audit was performed by:

Ronald D. Swanson, CPA, Manager
Erin M. Scharingson, Staff Auditor
Arlene Halfman, Assistant Auditor

Andrew E. Nielsen, CPA
Deputy Auditor of State