



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

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NEWS RELEASE

FOR RELEASE April 21, 2005

Contact: Andy Nielsen
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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, 2004.

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 has implemented new reporting standards for the year ended June 30, 2004, with significant changes in content and structure of the financial statements. The new financial statements include a Governmental Fund Balance Sheet/Statement of Net Assets and a Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balance/Statement of Activities and which provide information about the activities of the Agency as a whole. Also included is Management's Discussion and Analysis of the Agency's financial statements.

The Agency had revenues of \$2,020,860 for the year ended June 30, 2004. Revenues included \$700,238 from federal sources, \$403,287 from state sources, \$375,500 from local sources and miscellaneous revenues totaling \$541,835. Expenses for the year totaled \$1,840,223, and included \$460,610 for state transit assistance, \$820,414 for federal transit assistance and \$559,199 for other expenditures.

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

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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, 2004

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Heart of Iowa Regional Transit Agency

Officials

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Board of Directors		
Wayne Clinton	Chairperson	Story County
Max Worthington	Vice Chairperson	Jasper County
Cy McDonald	Secretary/Treasurer	Madison County
David Reed	Member	Boone County
Kim Chapman	Member	Dallas County
Howard Pothoven	Member	Marion County
Marvin Grace	Member	Warren County

Agency

Marilyn Heikes	Interim Executive Director
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Iowa Department of Transportation

Samil Semet	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, 2004. 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, 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 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, 2004, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 9 to the financial statements, during the year ended June 30, 2004, the Heart of Iowa Regional Transit Agency adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspectives Differences.

In accordance with Government Auditing Standards, we have also issued our reports dated January 31, 2005 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 grants. Those reports are 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.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 10 and 22 through 23 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 supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. Other 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, 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

January 31, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2004 and is provided for consideration in conjunction with the Agency's financial statements, which follow.

Because the Agency is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the Agency's financial position and results of operations.

2004 FINANCIAL HIGHLIGHTS

- The Agency received \$1,103,525 during the fiscal year from a combination of federal and state grants, an increase of 57%, or approximately \$400,000, compared to the previous fiscal year. The increase is due primarily to receiving federal funds for the replacement of buses and/or vans for the Agency's fleet.
- Expenditures increased by 38%, or approximately \$584,000, over the fiscal year ended June 30, 2003 due to purchases of replacement buses/vans and related equipment.
- The Agency's net assets increased by 16%, or approximately \$181,000, from June 30, 2003 to June 30, 2004.

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.

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 for governmental activities.

Net Assets of Governmental Activities	
	June 30, 2004
Current and other assets	\$ 395,716
Capital assets	970,293
Total assets	<u>1,366,009</u>
Current liabilities	<u>49,266</u>
Net assets:	
Invested in capital assets	970,293
Unrestricted	346,450
Total net assets	<u>\$ 1,316,743</u>

Net assets of the Agency increased 16% (from \$1,136,106 to \$1,316,743). This increase was primarily due to purchases of replacement buses and/or vans for the Agency's fleet during the year ended June 30, 2004.

Change in Net Assets of Governmental Activities	
	Year ended June 30, 2004
Program revenues:	
Federal sources	\$ 700,238
State sources	403,287
Local sources	375,500
Miscellaneous	541,835
Total revenues	<u>2,020,860</u>
Program expenses:	
State transit assistance	460,610
Federal transit assistance - capital	193,353
Federal transit assistance - operating	627,061
Other	559,199
Total expenses	<u>1,840,223</u>
Increase in net assets	180,637
Net assets beginning of year, as restated	<u>1,136,106</u>
Net assets end of year	<u>\$ 1,316,743</u>

In fiscal 2004, the Agency's total revenues increased \$536,055, or 36%, over fiscal 2003. The increase was primarily the result of receiving federal and local funds for the replacement of buses and/or vans for the Agency's fleet and an increase in reimbursements from local transit subcontractors.

BUDGETARY HIGHLIGHTS

Over the course of the year, the Agency amended its budget one time. The amendment was made in May 2004 and resulted in a decrease in budgeted disbursements of \$920,777. The decrease was related to a decrease in the number of vehicles that were expected to be purchased.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2004, the Agency had \$970,293 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

At June 30, 2004, the Agency had no long-term debt outstanding.

NEXT YEAR'S BUDGET

The budgeted receipts and disbursements for fiscal year 2005 increased approximately 38%. The increase is due to an increase in state and federal funding for vehicle and equipment purchases.

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

Heart of Iowa Regional Transit Agency

Heart of Iowa Regional Transit Agency
 Governmental Fund Balance Sheet/Statement of Net Assets
 June 30, 2004

Assets	General Fund	Adjustments	Statement of Net Assets
Cash and investments	\$ 281,415	-	281,415
Accounts receivable	109,853	-	109,853
Prepaid expenditures	4,448	-	4,448
Capital assets, net of accumulated depreciation of \$2,054,941	-	970,293	970,293
Total assets	<u>\$ 395,716</u>	<u>970,293</u>	<u>1,366,009</u>
Liabilities			
Accounts payable	\$ 28,455	-	28,455
Deferred revenue	17,533	-	17,533
Compensated absences	-	3,278	3,278
Total liabilities	<u>45,988</u>	<u>3,278</u>	<u>49,266</u>
Fund balance/Net assets			
Unreserved fund balance	349,728	(349,728)	-
Total liabilities and fund balance	<u>\$ 395,716</u>		
Net assets:			
Invested in capital assets		970,293	970,293
Unrestricted		346,450	346,450
Total net assets		<u>\$ 1,316,743</u>	<u>1,316,743</u>

See notes to financial statements.

Exhibit B

Heart of Iowa Regional Transit Agency
Statement of Governmental Fund Revenues,
Expenditures and Changes in Fund Balance/Statement of Activities

Year ended June 30, 2004

	General Fund	Adjustments	Statement of Activities
Revenues			
Program revenues:			
Federal sources	\$ 700,238	-	700,238
State sources	403,287	-	403,287
Local sources	375,500	-	375,500
Miscellaneous	541,835	-	541,835
Total revenues	<u>2,020,860</u>	-	<u>2,020,860</u>
Expenditures/Expenses			
Operating:			
State transit assistance	462,237	(1,627)	460,610
Federal transit assistance - capital	457,830	(264,477)	193,353
Federal transit assistance - operating	627,061	-	627,061
Other	559,199	-	559,199
Total expenditures/expenses	<u>2,106,327</u>	<u>(266,104)</u>	<u>1,840,223</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(85,467)	266,104	180,637
Other financing sources:			
Sale of capital assets	13,380	(13,380)	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	(72,087)	72,087	-
Change in net assets	-	180,637	180,637
Fund balance/net assets beginning of year	421,815	714,291	1,136,106
Fund balance/net assets end of year	<u>\$ 349,728</u>	<u>967,015</u>	<u>1,316,743</u>

See notes to financial statements.

Heart of Iowa Regional Transit Agency

Notes to Financial Statements

June 30, 2004

(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 13 and 14 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 of the end of the current fiscal period. 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. Budgets

The Executive Director for 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, 2004.

(2) Deposits

The Agency's deposits in banks at June 30, 2004 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.

(3) Capital Assets

Capital assets activity for the year ended June 30, 2004 was as follows:

	Balance Beginning of Year			Balance
	as restated	Increases	Decreases	End of Year
Capital assets being depreciated:				
Vehicles	\$ 2,877,582	442,704	(313,529)	3,006,757
Equipment	18,477	-	-	18,477
Total	<u>2,896,059</u>	<u>442,704</u>	<u>(313,529)</u>	<u>3,025,234</u>
Less accumulated depreciation:				
Vehicles	2,170,923	142,467	(266,500)	2,046,890
Equipment	5,940	2,111	-	8,051
	<u>2,176,863</u>	<u>144,578</u>	<u>(266,500)</u>	<u>2,054,941</u>
Capital assets, net	<u>\$ 719,196</u>	<u>298,126</u>	<u>(47,029)</u>	<u>970,293</u>

(4) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2004 is as follows:

	<u>Compensated Absences</u>
Balance beginning of year	\$ 4,905
Increases	1,392
Decreases	<u>(3,019)</u>
Balance end of year	<u>\$ 3,278</u>

(5) Operating Lease

The Agency leased its office facility for a three year period ending June 30, 2006 under an agreement requiring minimum monthly rental payments of \$1,047. 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 rental expenditures for the year ended June 30, 2004 for the operating lease were \$12,565.

(6) Contributed Support and Matching Services

Contributed support and matching services of \$307,068 were donated to the Agency by local transit subcontractors during the year ended June 30, 2004. 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 for the years ended June 30, 2004, 2003 and 2002. Contribution requirements are established by state statute. The Agency's contributions to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$4,236, \$4,031 and \$3,870, 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) Accounting Change and Restatements

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the Agency's financial activities. The financial statements now include entity-wide financial statements prepared on an accrual basis of accounting and fund financial statements for the major fund prepared on the modified accrual basis of accounting.

Beginning net assets for governmental activities has been restated to include the changes in assets and liabilities at July 1, 2003 resulting from the conversion to the accrual basis of accounting. The Agency also revised its capitalization policy for capital assets.

The effects of the accounting change and other restatements in the governmental activities are summarized below:

	<u>Amount</u>
Net assets June 30, 2003, as previously reported	\$ 421,815
GASB 34 adjustments:	
Capital assets, net of accumulated depreciation of \$2,176,863	719,196
Long-term liabilities	<u>(4,905)</u>
Net assets July 1, 2003, as restated	<u>\$ 1,136,106</u>

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

Total fund balance – General Fund	\$ 349,728
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$3,025,234 and the accumulated depreciation is \$2,054,941.	970,293
Long-term liabilities applicable to the Agency’s governmental activities are not due and payable in the current period and, therefore, are not reported as fund liabilities.	<u>(3,278)</u>
Net assets of governmental activities	<u>\$ 1,316,743</u>

(11) 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	\$ (72,087)
Governmental funds report 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	\$ 442,704
Depreciation expense	<u>(144,578)</u>
	298,126
In the Statement of Activities, the loss on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the sale as an increase in financial resources.	(43,775)
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.	<u>(1,627)</u>
Change in net assets of governmental activities	<u>\$ 180,637</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, 2004

	Actual	Less Funds Not Required to be Budgeted	Net	Original Budget	Final Budget	Favorable (Unfavorable) Variance
Revenues:						
Federal sources	\$ 700,238	-	700,238	1,934,216	1,183,193	(482,955)
State sources	403,287	-	403,287	463,789	403,821	(534)
Local sources	375,500	307,068	68,432	334,960	144,500	(76,068)
Miscellaneous	541,835	-	541,835	570,000	599,500	(57,665)
Total revenues	<u>2,020,860</u>	<u>307,068</u>	<u>1,713,792</u>	<u>3,302,965</u>	<u>2,331,014</u>	<u>(617,222)</u>
Expenditures:						
State transit assistance	462,237	-	462,237	509,929	470,553	8,316
Federal transit assistance-capital	457,830	-	457,830	1,959,500	1,009,500	551,670
Federal transit assistance-operating	627,061	307,068	319,993	307,976	319,993	-
Other	559,199	-	559,199	560,000	616,582	57,383
Total expenditures	<u>2,106,327</u>	<u>307,068</u>	<u>1,799,259</u>	<u>3,337,405</u>	<u>2,416,628</u>	<u>617,369</u>
Excess of revenues over expenditures	(85,467)	-	(85,467)	(34,440)	(85,614)	147
Other financing sources, net	<u>13,380</u>	-	<u>13,380</u>	<u>8,000</u>	<u>8,500</u>	<u>4,880</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(72,087)	-	(72,087)	(26,440)	(77,114)	5,027
Fund balance beginning of year	<u>421,815</u>	-	<u>421,815</u>	<u>437,324</u>	<u>421,815</u>	-
Fund balance end of year	<u>\$ 349,728</u>	-	<u>349,728</u>	<u>410,884</u>	<u>344,701</u>	<u>5,027</u>

See accompanying independent auditor's report.

Heart of Iowa Regional Transit Agency

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2004

The Executive Director for 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.

During the year, one budget amendment decreased budgeted disbursements by \$920,777. 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, 2004

	State	Federal		Other	Total
	Transit Assistance	Transit Assistance			
		Capital	Operating		
Revenues:					
Federal sources	\$ -	380,245	319,993	-	700,238
State sources	403,287	-	-	-	403,287
Local sources	-	68,432	307,068	-	375,500
Miscellaneous	-	-	-	541,835	541,835
Total revenues	403,287	448,677	627,061	541,835	2,020,860
Expenditures:					
Financial assistance to local transit subcontractors	291,334	457,830	319,993	558,282	1,627,439
Local matching services	-	-	307,068	-	307,068
Administration:					
Salaries and benefits	93,524	-	-	-	93,524
Professional services	12,124	-	-	-	12,124
Telephone	4,933	-	-	-	4,933
Rent and insurance	16,028	-	-	-	16,028
Office supplies	4,641	-	-	-	4,641
Travel and meetings	11,359	-	-	917	12,276
Equipment	6,609	-	-	-	6,609
Advertising	13,866	-	-	-	13,866
Repair	135	-	-	-	135
Other	3,563	-	-	-	3,563
Dues	4,121	-	-	-	4,121
Total expenditures	462,237	457,830	627,061	559,199	2,106,327
Deficiency of revenues under expenditures	(58,950)	(9,153)	-	(17,364)	(85,467)
Other financing sources:					
Sale of capital assets	-	-	-	13,380	13,380
Deficiency of revenues and other financing sources under expenditures	(58,950)	(9,153)	-	(3,984)	(72,087)
Fund balance beginning of the year	228,406	2,786	-	190,623	421,815
Fund balance (deficit) end of year	\$ 169,456	(6,367)	-	186,639	349,728

See accompanying independent auditor's report.

Heart of Iowa Regional Transit Agency
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2004

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	03-0095-110-02	\$ 152,986
Federal Transit - Capital Investment Grants	20.500	03-0095-110-03	38,419
Federal Transit - Capital Investment Grants	20.500	03-0098-110-03	38,809
			<u>230,214</u>
Formula Grants for Other Than Urbanized Areas	20.509	18-0023-110-02	150,031
Formula Grants for Other Than Urbanized Areas	20.509	TF-2004-007-50%	209
Formula Grants for Other Than Urbanized Areas	20.509	TF-2004-052-50%	99
Formula Grants for Other Than Urbanized Areas	20.509	TF-04-093	366
Formula Grants for Other Than Urbanized Areas	20.509	TF-04-092	216
Formula Grants for Other Than Urbanized Areas	20.509	TF-2004-133-50%	27
Formula Grants for Other Than Urbanized Areas	20.509	TF-2004-152-50%	752
Formula Grants for Other Than Urbanized Areas	20.509	TF-2004-153-50%	1,056
			<u>152,756</u>
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	16-0028-110-04	319,993
Total indirect			<u>\$ 702,963</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 financial statements.

See accompanying independent auditor's report.

Heart of Iowa Regional Transit Agency

**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 financial statements of the Heart of Iowa Regional Transit Agency as of and for the year ended June 30, 2004, and have issued our report thereon dated January 31, 2005. 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 financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts 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, 2004 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. Prior year statutory comments have been resolved.

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 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 material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control 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. The prior year reportable condition has been resolved.

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 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

January 31, 2005



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 with Requirements
Applicable to Each Major Program and Internal Control over Compliance

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

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, 2004. 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 grants 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, Chapter 11 of the Code of Iowa, 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 provisions 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, 2004.

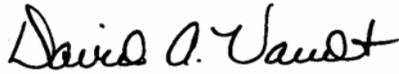
Internal Control Over Compliance

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 grants 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of

laws, regulations, contracts and grants that would be material in relation to a major federal program 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 compliance 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, 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

January 31, 2005

Heart of Iowa Regional Transit Agency
Schedule of Findings and Questioned Costs
Year ended June 30, 2004

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) No material weaknesses in internal control over financing reporting were noted.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were 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 20.513 – Capital Assistance Program for Elderly Persons and Persons With Disabilities
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) 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, 2004

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

No matters were noted.

Heart of Iowa Regional Transit Agency
Schedule of Findings and Questioned Costs
Year ended June 30, 2004

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

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, 2004

Part IV: Other Findings Related to Required Statutory Reporting:

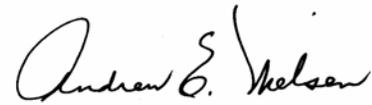
- (1) Official Depositories – A resolution naming official depositories has been approved by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.
- (2) Questionable Expenditures – No expenditures that may not meet the requirements of public 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) 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:

Cynthia L. Weber, CPA, Manager
Jedd D. Moore, Staff Auditor
Ryan J. Johnson, Staff 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