



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

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**NEWS RELEASE**

FOR RELEASE February 19, 2007

Contact: Andy Nielsen  
515/281-5834

Auditor of State David A. Vaudt today released an audit report on the Heart of Iowa Regional Transit Agency, Des Moines, for the year ended June 30, 2006.

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 \$2,160,154 for the year ended June 30, 2006, a 9 percent decrease from the prior year. Revenues included \$456,206 from federal sources, \$499,933 from state sources, \$546,907 from local sources and miscellaneous revenues totaling \$657,108. Expenses for the year totaled \$2,199,130, a 6 percent increase over the prior year. Expenses included \$493,871 for state transit assistance, \$1,058,691 for federal transit assistance and \$646,568 for other expenditures.

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

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**HEART OF IOWA REGIONAL TRANSIT AGENCY**

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

**JUNE 30, 2006**

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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>		
Max Worthington	Chairperson	Jasper County
Howard Pothoven	Vice Chairperson	Marion County
Marvin Grace	Secretary/Treasurer	Warren County
Cy McDonald	Member	Madison County
David Reed	Member	Boone County
Kim Chapman	Member	Dallas County
Wayne Clinton	Member	Story County

**Agency**

Kristin Nanke	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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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 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, 2006. These financial statements are the responsibility of the Heart of Iowa Regional Transit Agency's management. Our responsibility is to express opinions on these financial statements based on our audit.

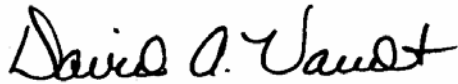
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the major fund of the Heart of Iowa Regional Transit Agency at June 30, 2006 and the changes in its financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 18, 2007 on our consideration of the Heart of Iowa Regional Transit Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements taken as a whole. Other supplementary information included in Schedule 1 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 18, 2007



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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, 2006 and is provided for consideration in conjunction with the Agency's financial statements, which follow.

### **2006 FINANCIAL HIGHLIGHTS**

- The Agency received \$956,139 during the fiscal year from a combination of federal and state grants, a decrease of 30%, or approximately \$404,000, compared to the previous fiscal year. The decrease is due primarily to not receiving federal funds for the replacement of buses and/or vans for the Agency's fleet.
- Expenses increased by 6%, or approximately \$118,000, over the previous fiscal year, partly due to an increase in insurance premiums and longer-than-expected need for professional services (interim director).
- The Agency's net assets decreased by 2%, or approximately \$39,000, from June 30, 2005 to June 30, 2006.

### **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 of governmental activities.

Net Assets of Governmental Activities		
	June 30,	
	2006	2005
Current and other assets	\$ 510,163	564,209
Capital assets	1,180,278	1,243,479
Total assets	1,690,441	1,807,688
Current liabilities	124,809	203,080
Net assets:		
Invested in capital assets	1,180,278	1,243,479
Unrestricted	385,354	361,129
Total net assets	\$ 1,565,632	1,604,608

Change in Net Assets of Governmental Activities		
	Year ended June 30,	
	2006	2005
Program revenues:		
Federal sources	\$ 456,206	868,711
State sources	499,933	491,851
Local sources	546,907	441,579
Miscellaneous	657,108	566,725
Total revenues	<u>2,160,154</u>	<u>2,368,866</u>
Program expenses:		
State transit assistance	493,871	498,553
Federal transit assistance - capital	174,763	184,665
Federal transit assistance - operating	883,928	686,582
Other	646,568	711,201
Total expenses	<u>2,199,130</u>	<u>2,081,001</u>
Increase (decrease) in net assets	(38,976)	287,865
Net assets beginning of year	1,604,608	1,316,743
Net assets end of year	<u>\$ 1,565,632</u>	<u>1,604,608</u>

In fiscal 2006, the Agency's total revenues decreased \$208,712, or 9%, from fiscal 2005. The decrease was primarily the result of not receiving federal and local funds for the replacement of buses and/or vans for the Agency's fleet.

## **BUDGETARY HIGHLIGHTS**

As shown on the Budgetary Comparison Schedule, actual revenues fell short of budgeted amounts by \$3,114,029. The shortfall was primarily due to budgeting for replacement vehicles, the funding for which did not become available in this fiscal year. Also, budgeted expenditures exceeded actual expenditures by \$3,140,322. This variance was primarily due to budgeting for replacement vehicles, the funding for which did not become available in this fiscal year. The Agency did not amend its budget during the year ended June 30, 2006.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2006, the Agency had \$1,180,278 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, 2006, the Agency had no long-term debt outstanding.

## **NEXT YEAR'S BUDGET**

The budgeted receipts and disbursements for fiscal year 2007 decreased approximately 26%. The decrease can be attributed to knowing closer-to-actual costs for Intelligent Transportation Systems (ITS) software and hardware and management's attempt to more accurately budget for replacement vehicles.

## **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, 2006

<b>Assets</b>	General Fund	Adjustments	Statement of Net Assets
Cash and investments	\$ 384,843	-	384,843
Accounts receivable	124,417	-	124,417
Prepaid expenditures	903	-	903
Capital assets, net of accumulated depreciation of \$2,057,275	-	1,180,278	1,180,278
Total assets	<u>\$ 510,163</u>	<u>1,180,278</u>	<u>1,690,441</u>
<b>Liabilities</b>			
Accounts payable	\$ 123,606	-	123,606
Compensated absences	-	1,203	1,203
Total liabilities	<u>123,606</u>	<u>1,203</u>	<u>124,809</u>
<b>Fund balance/Net assets</b>			
Unreserved fund balance	386,557	(386,557)	-
Total liabilities and fund balance	<u>\$ 510,163</u>		
Net assets:			
Invested in capital assets		1,180,278	1,180,278
Unrestricted		385,354	385,354
Total net assets		<u>\$ 1,565,632</u>	<u>1,565,632</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, 2006

	General Fund	Adjustments	Statement of Activities
<b>Revenues</b>			
Program revenues:			
Federal sources	\$ 456,206	-	456,206
State sources	499,933	-	499,933
Local sources	546,907	-	546,907
Miscellaneous	657,108	-	657,108
Total revenues	<u>2,160,154</u>	-	<u>2,160,154</u>
<b>Expenditures/Expenses</b>			
Operating:			
State transit assistance	492,803	1,068	493,871
Federal transit assistance - capital	113,562	61,201	174,763
Federal transit assistance - operating	883,928	-	883,928
Other	646,568	-	646,568
Total expenditures/expenses	<u>2,136,861</u>	<u>62,269</u>	<u>2,199,130</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	23,293	(62,269)	(38,976)
Other financing source:			
Sale of capital assets	2,000	(2,000)	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	25,293	(25,293)	-
Change in net assets	-	(38,976)	(38,976)
Fund balance /net assets beginning of year	361,264	1,243,344	1,604,608
Fund balance /net assets end of year	<u>\$ 386,557</u>	<u>1,179,075</u>	<u>1,565,632</u>

See notes to financial statements.



Heart of Iowa Regional Transit Agency

Notes to Financial Statements

June 30, 2006

**(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. Budget

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

E. Capital Assets

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

Asset Class	Amount
Equipment and vehicles	\$ 5,000

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

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

F. Compensated Absences

Agency employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded in the Statement of Net Assets column on Exhibit A. This liability has been computed based on rates of pay in effect at June 30, 2006.

**(2) Cash and Investments**

The Agency's deposits in banks at June 30, 2006 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, 2006 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital assets being depreciated:				
Vehicles	\$ 3,247,299	113,365	(147,918)	3,212,746
Equipment	30,457	-	(6,063)	24,394
Total	<u>3,277,756</u>	<u>113,365</u>	<u>(153,981)</u>	<u>3,237,140</u>
Less accumulated depreciation:				
Vehicles	2,023,317	148,960	(125,729)	2,046,548
Equipment	10,960	4,507	(5,153)	10,314
Total	<u>2,034,277</u>	<u>153,467</u>	<u>(130,882)</u>	<u>2,056,862</u>
Capital assets, net	<u>\$ 1,243,479</u>	<u>(40,102)</u>	<u>(23,099)</u>	<u>1,180,278</u>

**(4) Changes in Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2006 is as follows:

	Compensated Absences
Balance beginning of year	\$ 135
Increases	2,888
Decreases	(1,820)
Balance end of year	<u>\$ 1,203</u>

**(5) Operating Lease**

The Agency leased its office facility for a three year period ended 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, 2006 for the operating lease were \$12,565.

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

Contributed support and matching services of \$527,388 were donated to the Agency by local transit subcontractors during the year ended June 30, 2006. 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, 2006, 2005 and 2004. Contribution requirements are established by state statute. The Agency's contributions to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$3,448, \$1,997 and \$4,236, respectively, equal to the required contributions for each year.

**(8) Risk Management**

The Agency is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Agency assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

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

Total fund balance – General Fund	\$ 386,557
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$3,237,140 and the accumulated depreciation is \$2,056,862.	1,180,278
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>(1,203)</u>
Net assets of governmental activities	<u>\$1,565,632</u>

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

Net change in fund balance – General Fund \$ 25,293

Governmental funds report 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:

Expenditures for capital assets	\$ 113,365	
Depreciation expense	<u>(153,467)</u>	(40,102)

In the Statement of Activities, the loss on the sale of capital assets is reported, whereas the governmental funds report the proceeds from the sale as an increase in financial resources. (23,099)

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. (1,068)

Change in net assets of governmental activities \$ (38,976)

**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, 2006

	Actual	Less Funds Not Required to be Budgeted	Net	Original and Final Budget	Favorable (Unfavorable) Variance
<b>Revenues:</b>					
Federal sources	\$ 456,206	-	456,206	2,618,952	(2,162,746)
State sources	499,933	-	499,933	659,044	(159,111)
Local sources	546,907	527,388	19,519	768,499	(748,980)
Miscellaneous	657,108	-	657,108	700,300	(43,192)
Total revenues	2,160,154	527,388	1,632,766	4,746,795	(3,114,029)
<b>Expenditures:</b>					
State transit assistance	492,802	-	492,802	520,290	27,488
Federal transit assistance-capital	113,562	-	113,562	2,712,715	2,599,153
Federal transit assistance-operating	883,929	527,388	356,541	821,790	465,249
Other	646,568	-	646,568	695,000	48,432
Total expenditures	2,136,861	527,388	1,609,473	4,749,795	3,140,322
Excess (deficiency) of revenues over (under) expenditures	23,293	-	23,293	(3,000)	26,293
Other financing sources, net	2,000	-	2,000	3,000	(1,000)
Excess of revenues and other financing sources over expenditures	25,293	-	25,293	-	25,293
Fund balance beginning of year	361,264	-	361,264	367,192	(5,928)
Fund balance end of year	\$ 386,557	-	386,557	367,192	19,365

See accompanying independent auditor's report.



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Heart of Iowa Regional Transit Agency

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2006

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, 2006.

**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, 2006

	State Transit Assistance	Federal Transit Assistance		Other	Total
		Capital	Operating		
<b>Revenues:</b>					
Federal sources	\$ -	95,651	356,540	4,015	456,206
State sources	499,933	-	-	-	499,933
Local sources	-	19,519	527,388	-	546,907
Miscellaneous	-	-	-	657,108	657,108
Total revenues	499,933	115,170	883,928	661,123	2,160,154
<b>Expenditures:</b>					
Financial assistance to local transit subcontractors	315,650	113,562	356,540	642,680	1,428,432
Local matching services	-	-	527,388	-	527,388
<b>Administration:</b>					
Salaries and benefits	78,066	-	-	-	78,066
Professional services	40,660	-	-	-	40,660
Telephone	3,959	-	-	-	3,959
Rent and insurance	16,130	-	-	-	16,130
Office supplies	3,888	-	-	-	3,888
Travel and meetings	5,104	-	-	3,888	8,992
Equipment	11,883	-	-	-	11,883
Advertising	10,125	-	-	-	10,125
Other	2,775	-	-	-	2,775
Dues	4,563	-	-	-	4,563
Total expenditures	492,803	113,562	883,928	646,568	2,136,861
Excess of revenues over expenditures	7,130	1,608	-	14,555	23,293
<b>Other financing sources:</b>					
Sale of capital assets	-	-	-	2,000	2,000
Excess of revenues and other financing sources over expenditures	7,130	1,608	-	16,555	25,293
Fund balance beginning of the year	159,611	8,893	-	192,760	361,264
Fund balance end of year	\$ 166,741	10,501	-	209,315	386,557

See accompanying independent auditor's report.

**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**

**Heart of Iowa Regional Transit Agency**



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

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
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Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

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

We have audited the accompanying financial statements of the governmental activities and the major fund of the Heart of Iowa Regional Transit Agency as of and for the year ended June 30, 2006, and have issued our report thereon dated January 18, 2007. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Heart of Iowa Regional Transit Agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion 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 that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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.

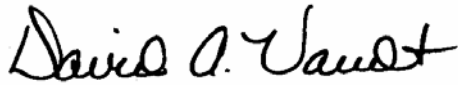
Compliance and Other Matters

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

Comments involving statutory and other legal matters about the Agency's operations for the year ended June 30, 2006 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.

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 18, 2007



Heart of Iowa Regional Transit Agency

Schedule of Findings

Year ended June 30, 2006

**Findings Related to the Financial Statements:**

**REPORTABLE CONDITIONS:**

No matters were noted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

Heart of Iowa Regional Transit Agency

Schedule of Findings

Year ended June 30, 2006

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

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

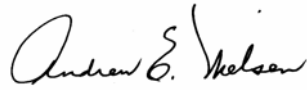
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Heart of Iowa Regional Transit Agency

Staff

This audit was performed by:

Joe T. Marturello, CIA, Manager  
Jedd D. Moore, Staff Auditor  
Michael P. Piehl, 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'.

Andrew E. Nielsen, CPA  
Deputy Auditor of State