



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

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Auditor of State

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**NEWS RELEASE**

FOR RELEASE March 27, 2008

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, 2007.

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

The Agency had revenues of \$3,079,987 for the year ended June 30, 2007, a 43 percent increase over the prior year. Revenues included \$1,007,660 from federal sources, \$525,171 from state sources, \$663,938 from local sources and miscellaneous revenues totaling \$883,218. Expenses for the year totaled \$2,890,927 a 31 percent increase over the prior year. Expenses included \$474,354 for state transit assistance, \$1,282,403 for federal transit assistance and \$1,134,170 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 AND QUESTIONED COSTS**

**JUNE 30, 2007**

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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
David Reed	Secretary/Treasurer	Boone County
Joan Acela	Member	Madison County
Marvin Grace	Member	Warren County
Bob Ockerman	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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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, 2007. 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.

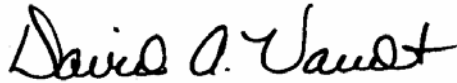
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain 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, 2007 and the changes in its financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 28, 2008 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 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. The supplementary information included in Schedules 1 and 2, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

February 28, 2008



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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, 2007 and is provided for consideration in conjunction with the Agency's financial statements, which follow.

### **2007 FINANCIAL HIGHLIGHTS**

- The Agency received \$1,532,831 during the fiscal year from a combination of federal and state grants, an increase of 60%, or approximately \$576,692, 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.
- Expenses increased 31%, or approximately \$692,000, over the previous fiscal year, partly due to an increase in financial assistance to local transit subcontractors.
- The Agency's net assets increased 12%, or approximately \$189,000, from June 30, 2006 to June 30, 2007.

### **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,	
	2007	2006
Current and other assets	\$ 615,433	510,163
Capital assets	1,310,627	1,180,278
Total assets	1,926,060	1,690,441
Current liabilities	171,368	124,809
Net assets:		
Invested in capital assets	1,310,627	1,180,278
Unrestricted	444,065	385,354
Total net assets	\$ 1,754,692	1,565,632

Net assets of the Agency increased 12% (from \$1,565,632 to \$1,754,692). This increase is primarily due to more purchases of replacement buses and/or vans for the Agency's fleet during the year ended June 30, 2007.

Change in Net Assets of Governmental Activities		
	Year ended June 30,	
	2007	2006
Program revenues:		
Federal sources	\$ 1,007,660	456,206
State sources	525,171	499,933
Local sources	663,938	546,907
Miscellaneous	883,218	657,108
Total revenues	3,079,987	2,160,154
Program expenses:		
State transit assistance	474,354	493,871
Federal transit assistance - capital	151,217	174,763
Federal transit assistance - operating	1,131,186	883,928
Other	1,134,170	646,568
Total expenses	2,890,927	2,199,130
Increase (decrease) in net assets	189,060	(38,976)
Net assets beginning of year	1,565,632	1,604,608
Net assets end of year	\$ 1,754,692	1,565,632

In fiscal 2007, the Agency's total revenues increased \$919,833, or 43%, over fiscal 2006. The increase was primarily the result of receiving additional funding from local, state and federal sources 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 \$1,323,209. 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 \$1,253,137. This variance was primarily due to budgeting for replacement vehicles, the funding for which did not become available in this fiscal year. The Agency amended its budget once during the year ended June 30, 2007.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2007, the Agency had \$1,310,627 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, 2007, the Agency had no long-term debt outstanding.

## **NEXT YEAR'S BUDGET**

The budgeted receipts for fiscal year 2008 increased approximately 23% and the budgeted expenditures increased 22%. The increases can be attributed to an increase in federal revenue relating to the FTA program and an increase in equipment purchases expected during fiscal 2008.

## **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.

**Heart of Iowa Regional Transit Agency**

## **Financial Statements**

Heart of Iowa Regional Transit Agency  
 Governmental Fund Balance Sheet/Statement of Net Assets  
 June 30, 2007

<b>Assets</b>	General Fund	Adjustments	Statement of Net Assets
Cash and investments	\$ 302,023	-	302,023
Accounts receivable	312,492	-	312,492
Prepaid expenditures	918	-	918
Capital assets, net of accumulated depreciation of \$1,955,041	-	1,310,627	1,310,627
Total assets	<u>\$ 615,433</u>	<u>1,310,627</u>	<u>1,926,060</u>
<b>Liabilities</b>			
Accounts payable	\$ 170,563	-	170,563
Deferred revenue	110,213	(110,213)	-
Compensated absences	-	805	805
Total liabilities	<u>280,776</u>	<u>(109,408)</u>	<u>171,368</u>
<b>Fund balance/Net assets</b>			
Unreserved fund balance	334,657	(334,657)	-
Total liabilities and fund balance	<u>\$ 615,433</u>		
Net assets:			
Invested in capital assets		1,310,627	1,310,627
Unrestricted		444,065	444,065
Total net assets		<u>\$ 1,754,692</u>	<u>1,754,692</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, 2007

	General Fund	Adjustments	Statement of Activities
<b>Revenues</b>			
Program revenues:			
Federal sources	\$ 897,447	110,213	1,007,660
State sources	525,171	-	525,171
Local sources	663,938	-	663,938
Miscellaneous	883,218	-	883,218
Total revenues	<u>2,969,774</u>	<u>110,213</u>	<u>3,079,987</u>
<b>Expenditures/Expenses</b>			
Operating:			
State transit assistance	474,752	(398)	474,354
Federal transit assistance - capital	292,736	(141,519)	151,217
Federal transit assistance - operating	1,131,186	-	1,131,186
Other	1,134,170	-	1,134,170
Total expenditures/expenses	<u>3,032,844</u>	<u>(141,917)</u>	<u>2,890,927</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(63,070)	252,130	189,060
Other financing sources:			
Sale of capital assets	11,170	(11,170)	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	(51,900)	51,900	-
Change in net assets	-	189,060	189,060
Fund balance/net assets beginning of year	386,557	1,179,075	1,565,632
Fund balance/net assets end of year	<u>\$ 334,657</u>	<u>1,420,035</u>	<u>1,754,692</u>

See notes to financial statements.



Heart of Iowa Regional Transit Agency

Notes to Financial Statements

June 30, 2007

**(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, 2007.

**(2) Cash and Investments**

The Agency's deposits in banks at June 30, 2007 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, 2007 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital assets being depreciated:				
Vehicles	\$ 3,212,746	280,194	(277,666)	3,215,274
Equipment	24,394	26,000	-	50,394
Total	<u>3,237,140</u>	<u>306,194</u>	<u>(277,666)</u>	<u>3,265,668</u>
Less accumulated depreciation:				
Vehicles	2,046,548	127,088	(236,016)	1,937,620
Equipment	10,314	7,107	-	17,421
Total	<u>2,056,862</u>	<u>134,195</u>	<u>(236,016)</u>	<u>1,955,041</u>
Capital assets, net	<u>\$ 1,180,278</u>	<u>171,999</u>	<u>(41,650)</u>	<u>1,310,627</u>

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

A summary of changes in long-term liabilities for the year ended June 30, 2007 is as follows:

	<u>Compensated Absences</u>
Balance beginning of year	\$ 1,203
Increases	3,825
Decreases	<u>(4,223)</u>
Balance end of year	<u>\$ 805</u>

**(5) Operating Lease**

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

The total rental expenditures for the year ended June 30, 2007 for the operating lease were \$10,770

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

Contributed support and matching services of \$613,527 were donated to the Agency by local transit subcontractors during the year ended June 30, 2007. 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, 2007, 2006 and 2005. Contribution requirements are established by state statute. The Agency's contributions to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$4,465, \$3,448 and \$1,997, 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	\$ 334,657
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$3,265,668 and the accumulated depreciation is \$1,955,041.	1,310,627
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds	110,213
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>(805)</u>
Net assets of governmental activities	<u>\$1,754,692</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 \$ (51,900)

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	\$ 306,194	
Depreciation expense	<u>(134,195)</u>	171,999

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. (41,650)

Because some revenues will not be collected for several months after the Agency’s year end, they are not considered available revenues and are deferred in the governmental funds. 110,213

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. 398

Change in net assets of governmental activities \$ 189,060

**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, 2007

	Actual	Less Funds Not Required to be Budgeted	Net	Original Budget	Final Budget	Favorable (Unfavorable) Variance
Revenues:						
Federal sources	\$ 897,447	-	897,447	1,922,177	1,999,514	(1,102,067)
State sources	525,171	-	525,171	517,324	555,993	(30,822)
Local sources	663,938	613,527	50,411	343,780	382,449	(332,038)
Miscellaneous	883,218	-	883,218	741,500	741,500	141,718
Total revenues	<u>2,969,774</u>	<u>613,527</u>	<u>2,356,247</u>	<u>3,524,781</u>	<u>3,679,456</u>	<u>(1,323,209)</u>
Expenditures:						
State transit assistance	474,752	-	474,752	495,324	495,324	20,572
Federal transit assistance-capital	292,736	-	292,736	1,664,000	1,818,673	1,525,937
Federal transit assistance-operating	1,131,186	613,527	517,659	623,457	623,457	105,798
Other	1,134,170	-	1,134,170	735,000	735,000	(399,170)
Total expenditures	<u>3,032,844</u>	<u>613,527</u>	<u>2,419,317</u>	<u>3,517,781</u>	<u>3,672,454</u>	<u>1,253,137</u>
Excess (deficiency) of revenues over (under) expenditures	(63,070)	-	(63,070)	7,000	7,002	(70,072)
Other financing sources, net	11,170	-	11,170	3,000	3,000	8,170
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(51,900)	-	(51,900)	10,000	10,002	(61,902)
Fund balance beginning of year	386,557	-	386,557	367,192	367,192	19,365
Fund balance end of year	<u>\$ 334,657</u>	<u>-</u>	<u>334,657</u>	<u>377,192</u>	<u>377,194</u>	<u>(42,537)</u>

See accompanying independent auditor's report.



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Heart of Iowa Regional Transit Agency

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2007

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

During the year, one budget amendment increased budgeted revenues by \$154,675 and increased budgeted disbursements by \$154,673. 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, 2007

	State	Federal		Other	Total
	Transit Assistance	Transit Assistance			
		Capital	Operating		
<b>Revenues:</b>					
Federal sources	\$ -	237,910	517,657	141,880	897,447
State sources	525,171	-	-	-	525,171
Local sources	-	50,411	613,527	-	663,938
Miscellaneous	-	-	-	883,218	883,218
<b>Total revenues</b>	<b>525,171</b>	<b>288,321</b>	<b>1,131,184</b>	<b>1,025,098</b>	<b>2,969,774</b>
<b>Expenditures:</b>					
Financial assistance to local transit subcontractors	299,111	292,736	517,659	1,131,486	2,240,992
Local matching services	-	-	613,527	-	613,527
<b>Administration:</b>					
Salaries and benefits	101,296	-	-	-	101,296
Professional services	14,610	-	-	-	14,610
Telephone	3,679	-	-	-	3,679
Rent and insurance	12,458	-	-	-	12,458
Office supplies	3,212	-	-	-	3,212
Travel and meetings	4,767	-	-	2,684	7,451
Equipment	2,798	-	-	-	2,798
Advertising	13,000	-	-	-	13,000
Other	15,309	-	-	-	15,309
Dues	4,512	-	-	-	4,512
<b>Total expenditures</b>	<b>474,752</b>	<b>292,736</b>	<b>1,131,186</b>	<b>1,134,170</b>	<b>3,032,844</b>
Excess (deficiency) of revenues over (under) expenditures	50,419	(4,415)	(2)	(109,072)	(63,070)
<b>Other financing sources:</b>					
Sale of capital assets	-	-	-	11,170	11,170
Excess (deficiency) of revenues and other financing sources over (under) expenditures	50,419	(4,415)	(2)	(97,902)	(51,900)
Fund balance beginning of the year	166,741	10,501	-	209,315	386,557
Fund balance end of year	\$ 217,160	6,086	(2)	111,413	334,657

See accompanying independent auditor's report.

Heart of Iowa Regional Transit Agency  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2007

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	03-0103-110-04	\$ 186,645
Federal Transit - Capital Investment Grants	20.500	03-0103-110-05	1,118
			<u>187,763</u>
Formula Grants for Other Than Urbanized Areas	20.509	18-4028-110-07	163,124
Formula Grants for Other Than Urbanized Areas	20.509	ITS-110	63,650
Formula Grants for Other Than Urbanized Areas	20.509	18-025-110-04	50,149
Formula Grants for Other Than Urbanized Areas	20.509	TF-2007-022-50%	603
Formula Grants for Other Than Urbanized Areas	20.509	TF-2007-023-50%	603
Formula Grants for Other Than Urbanized Areas	20.509	TF-2007-030-50%	20
Formula Grants for Other Than Urbanized Areas	20.509	TF-2007-031-50%	57
Formula Grants for Other Than Urbanized Areas	20.509	TF-2007-077-50%	74
Formula Grants for Other Than Urbanized Areas	20.509	TF-2007-078-50%	50
Formula Grants for Other Than Urbanized Areas	20.509	TF-2007-103-50%	37
Formula Grants for Other Than Urbanized Areas	20.509	TF-2007-104-50%	37
Formula Grants for Other Than Urbanized Areas	20.509	TF-2007-149-50%	523
Formula Grants for Other Than Urbanized Areas	20.509	TF-2007-183-50%	102
Formula Grants for Other Than Urbanized Areas	20.509	TF-2007-185-50%	257
Formula Grants for Other Than Urbanized Areas	20.509	TF-2007-227-50%	195
Formula Grants for Other Than Urbanized Areas	20.509	TF-2007-228-50%	195
			<u>279,676</u>
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	16-X001-110-07	<u>354,533</u>
State Planning and Research	20.515	ITS-110	<u>127,311</u>
Job Access Reverse Commute	20.516	37-X011-110-06	<u>7,864</u>
Total indirect			<u>\$ 957,147</u>

**Basis of Presentation** – The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Heart of Iowa Regional Transit Agency and is presented on the modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

**Heart of Iowa Regional Transit Agency**



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

David A. Vaudt, CPA  
Auditor of State

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Des Moines, Iowa 50319-0004

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

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

We have audited the accompanying financial statements of the governmental activities and the major fund of the Heart of Iowa Regional Transit Agency as of and for the year ended June 30, 2007, and have issued our report thereon dated February 28, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Heart of Iowa Regional Transit Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the Heart of Iowa Regional Transit Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Heart of Iowa Regional Transit Agency's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency and a material weakness.

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above and reported as item II-A-07 is a material weakness.

#### Compliance and Other Matters

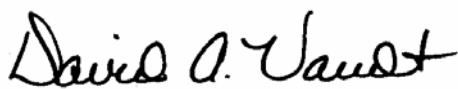
As part of obtaining reasonable assurance about whether the Heart of Iowa Regional Transit Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters, non-compliance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

Comments involving statutory and other legal matters about the Agency's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Agency. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

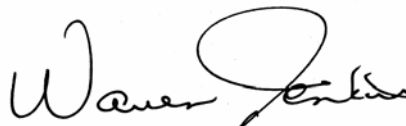
The Heart of Iowa Regional Transit Agency's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusion on the Agency's response, we did not audit the Heart of Iowa Regional Transit Agency's response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

This report, a public record by law, is intended solely for the information and use of the officials and employees of the Heart of Iowa Regional Transit Agency and other parties to whom the Heart of Iowa Regional Transit Agency may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

February 28, 2008





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**STATE OF IOWA**

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Independent Auditor's Report on Compliance with Requirements  
Applicable to Each Major Program and on Internal Control over Compliance  
in Accordance with OMB Circular A-133

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

Compliance

We have audited the compliance of the Heart of Iowa Regional Transit Agency with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. 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 agreements applicable to each of its major federal programs is the responsibility of the Heart of Iowa Regional Transit Agency's management. Our responsibility is to express an opinion on the Heart of Iowa Regional Transit Agency's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Heart of Iowa Regional Transit Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Heart of Iowa Regional Transit Agency's compliance with those requirements.

In our opinion, the Heart of Iowa Regional Transit Agency complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

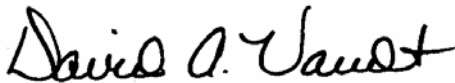
The management of the Heart of Iowa Regional Transit Agency is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered the Heart of Iowa Regional Transit Agency's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Heart of Iowa Regional Transit Agency's internal control over compliance.

A control deficiency in the Agency's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Agency's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Agency's internal control.

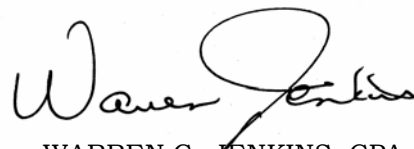
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the Agency's internal control.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the Heart of Iowa Regional Transit Agency and other parties to whom the Heart of Iowa Regional Transit Agency may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

February 28, 2008

Heart of Iowa Regional Transit Agency  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2007

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

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

Heart of Iowa Regional Transit Agency  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2007

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

**SIGNIFICANT DEFICIENCIES:**

II-A-07 Financial Reporting – Certain capital asset additions were not recorded in the capital asset record. Additionally, certain accounts receivable were not accrued. These matters were resolved for audit purposes.

Recommendation – HIRTA should ensure all capital asset additions are recorded in the capital asset record and all accounts receivable are identified and accrued.

Response – Agency staff have been educated in the proper recording of capital assets and receivables, steps have been taken to ensure proper recording in the future and the above noted deficiencies have been corrected.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

Heart of Iowa Regional Transit Agency  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2007

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**SIGNIFICANT DEFICIENCIES:**

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

Heart of Iowa Regional Transit Agency  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2007

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

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

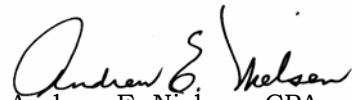
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Heart of Iowa Regional Transit Agency

Staff

This audit was performed by:

Ernest H. Ruben Jr., CPA, Manager  
Michael J. Hackett, Staff Auditor  
Jenny M. Podrebarac, Assistant Auditor

  
Andrew E. Nielsen, CPA  
Deputy Auditor of State