



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE August 24, 2011

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, 2010.

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 \$4,277,435 for the year ended June 30, 2010, a 33 percent increase over the prior year. Revenues included \$2,333,119 from federal sources, \$494,128 from state sources, \$547,274 from local sources and miscellaneous revenues totaling \$902,914. Expenses for the year totaled \$3,140,072, a 2 percent increase over the prior year. Expenses included \$555,730 for state transit assistance, \$1,642,489 for federal transit assistance and \$941,853 for other expenses.

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/1014-2402-B00F.pdf>.

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HEART OF IOWA REGIONAL TRANSIT AGENCY

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

JUNE 30, 2010

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Heart of Iowa Regional Transit Agency

Officials

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Board of Directors		
Marvin Grace	Chairperson	Warren County
Joan Acela	Vice Chairperson	Madison County
Bob Ockerman	Secretary/Treasurer	Dallas County
Wayne E. Clinton	Member	Story County
Bill Lusher	Member	Boone County
Howard Pothoven	Member	Marion County
Rick Tiedje	Member	Jasper County

Agency

Kristin Haar	Executive Director (Resigned Feb 2010)
Julia Castillo	Executive Director (Appointed June 2010)

Iowa Department of Transportation

Kristin Haar	Transit Program Administrator (Effective Feb 2010)
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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, 2010. 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.

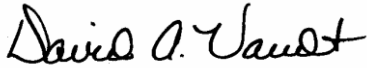
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain 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, 2010 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 July 19, 2011 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 20 through 21 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

July 19, 2011

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, 2010 and is provided for consideration in conjunction with the Agency's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- The Agency received \$2,827,247 during the fiscal year from a combination of federal and state grants, an increase of 72.5%, or \$1,187,841, compared to the previous fiscal year. The increase is due primarily to receiving more federal funding for the replacement of buses and vans for the Agency's fleet.
- Expenses increased 2.3%, or \$72,067, from the prior fiscal year, due to an increase in financial assistance to contractors under the State and Federal Transit Assistance programs.
- The Agency's net assets increased 56.7%, or \$1,137,363, from June 30, 2009 to June 30, 2010.

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. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the Agency.

REPORTING THE AGENCY'S FINANCIAL ACTIVITIES

Entity-wide Financial Statements

One of the most important questions asked about the Agency's finances is, "Is the Agency as a whole better off or worse off as a result of the year's activities?" The Statement of Net 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 years.

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,	
	2010	2009
Current and other assets	\$ 791,594	767,291
Capital assets	2,695,409	1,486,750
Total assets	3,487,003	2,254,041
Current liabilities	345,156	249,557
Net assets:		
Invested in capital assets	2,695,409	1,486,750
Unrestricted	446,438	517,734
Total net assets	\$ 3,141,847	2,004,484

Net assets of the Agency increased 56.7% (from \$2,004,484 to \$3,141,847). This increase is primarily due to more revenue from federal sources being used to purchase vehicles during the year ended June 30, 2010.

Change in Net Assets of Governmental Activities		
	Year ended June 30,	
	2010	2009
Program revenues:		
Federal sources	\$ 2,333,119	1,117,717
State sources	494,128	521,689
Local sources	547,274	646,064
Miscellaneous	902,914	924,134
Total revenues	<u>4,277,435</u>	<u>3,209,604</u>
Program expenses:		
State transit assistance	555,730	516,694
Federal transit assistance - capital	428,733	298,291
Federal transit assistance - operating	1,213,756	1,294,265
Other	941,853	958,755
Total expenses	<u>3,140,072</u>	<u>3,068,005</u>
Increase in net assets	1,137,363	141,599
Net assets beginning of year	<u>2,004,484</u>	<u>1,862,885</u>
Net assets end of year	<u>\$ 3,141,847</u>	<u>2,004,484</u>

In fiscal year 2010, the Agency's total revenues increased \$1,067,831, or 33.3%, over fiscal year 2009. The increase was primarily the result of receiving more revenue from federal sources for purchasing new vehicles for the transit fleet.

BUDGETARY HIGHLIGHTS

As shown on the Budgetary Comparison Schedule, actual revenues and expenditures exceeded budgeted amounts by \$183,919 and \$288,877, respectively. The excess was primarily due to budgeting for continual replacement of vehicles and not accurately identifying end of year accounts payable and accounts receivable. Although the Agency amended its budget during the year ended June 30, 2010, total expenditures exceeded the total budget by \$288,877 due to the purchase of vehicles near the end of the fiscal year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the Agency had \$2,695,409 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

During the year ended June 30, 2009, the Agency received \$10,116 in loan proceeds from the Iowa Department of Transportation to purchase surveillance cameras. The Agency was not required to make a payment during the year and, at June 30, 2010, the zero interest loan balance was \$2,816.

NEXT YEAR'S BUDGET

The budgeted receipts and expenditures for fiscal year 2011 decreased 12%. The decreases can be attributed to an attempt to more accurately predict equipment purchases with federal funding and anticipated decreases in state funding.

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

Exhibit A

Heart of Iowa Regional Transit Agency
Governmental Fund Balance Sheet/Statement of Net Assets

June 30, 2010

Assets	General Fund	Adjustments	Statement of Net Assets
Cash and investments	\$ 478,128	-	478,128
Accounts receivable	294,463	-	294,463
Prepaid expenditures	19,003	-	19,003
Capital assets, net of accumulated depreciation of \$2,141,497	-	2,695,409	2,695,409
Total assets	<u>791,594</u>	<u>2,695,409</u>	<u>3,487,003</u>
 Liabilities			
Accounts payable	\$ 342,340	-	342,340
Loan payable	-	2,816	2,816
Total liabilities	<u>342,340</u>	<u>2,816</u>	<u>345,156</u>
 Fund balance/Net assets			
Unreserved fund balance	449,254	(449,254)	-
Total liabilities and fund balance	<u>\$ 791,594</u>		
 Net assets:			
Invested in capital assets		2,695,409	2,695,409
Unrestricted		446,438	446,438
Total net assets		<u>\$ 3,141,847</u>	<u>3,141,847</u>

See notes to financial statements.

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

Year ended June 30, 2010

	General Fund	Adjustments	Statement of Activities
Revenues			
Program revenues:			
Federal sources	\$ 2,333,119	-	2,333,119
State sources	494,128	-	494,128
Local sources	547,274	-	547,274
Miscellaneous	902,914	-	902,914
Total revenues	4,277,435	-	4,277,435
Expenditures/Expenses			
Operating:			
State transit assistance	556,588	(858)	555,730
Federal transit assistance - capital	1,670,196	(1,241,463)	428,733
Federal transit assistance - operating	1,213,756	-	1,213,756
Other	941,853	-	941,853
Total expenditures/expenses	4,382,393	(1,242,321)	3,140,072
Excess (deficiency) of revenues over (under) expenditures/expenses	(104,958)	1,242,321	1,137,363
Other financing sources:			
Sale of capital assets	32,804	(32,804)	-
Total other financing sources	32,804	(32,804)	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	(72,154)	72,154	-
Change in net assets	-	1,137,363	1,137,363
Fund balance/net assets beginning of year	521,408	1,483,076	2,004,484
Fund balance/net assets end of year	449,254	2,692,593	3,141,847

See notes to financial statements.

Heart of Iowa Regional Transit Agency

Notes to Financial Statements

June 30, 2010

(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 12 and 13 combine both an entity-wide perspective and a governmental fund perspective.

The General Fund comprises the Heart of Iowa Regional Transit Agency's governmental fund. This fund is the general operating fund of the Agency and the difference between assets and liabilities of the fund is referred to as "fund balance."

The entity-wide financial statements (i.e., the Statement of Net 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 year or soon enough thereafter to pay liabilities of the current year. For this purpose, the Agency considers revenues to be available if they are collected within 60 days after year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

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

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 in Exhibit A. This liability has been computed based on rates of pay in effect at June 30, 2010.

(2) Cash and Investments

The Agency's deposits in banks at June 30, 2010 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, 2010 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital assets being depreciated:				
Vehicles	\$ 3,577,853	1,626,750	(950,830)	4,253,773
Equipment	50,394	-	-	50,394
Total	<u>3,628,247</u>	<u>1,626,750</u>	<u>(950,830)</u>	<u>4,304,167</u>
Less accumulated depreciation:				
Vehicles	2,107,563	261,736	(801,272)	1,568,027
Equipment	33,934	6,797	-	40,731
Total	<u>2,141,497</u>	<u>268,533</u>	<u>(801,272)</u>	<u>1,608,758</u>
Capital assets, net	<u>\$ 1,486,750</u>	<u>1,358,217</u>	<u>(149,558)</u>	<u>2,695,409</u>

(4) Changes in Current Liabilities

A summary of changes in current liabilities for the year ended June 30, 2010 is as follows:

	Loan Payable	Compensated Absences	Total
Balance beginning of year	\$ 2,816	858	3,674
Increases	-	-	-
Decreases	-	858	858
Balance end of year	<u>\$ 2,816</u>	<u>-</u>	<u>2,816</u>

(5) Operating Lease

The Agency leases its office facility for a three year period ending June 30, 2012 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 rent expenditure for the year ended June 30, 2010 for the operating lease was \$10,776.

(6) Contributed Support and Matching Services

Contributed support and matching services of \$453,529 were donated to the Agency by local transit subcontractors during the year ended June 30, 2010. These amounts are included in local sources revenues and federal transit assistance – operating 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 4.30% of their annual covered salary and the Agency is required to contribute 6.65% of covered salary. Contribution requirements are established by state statute. The Agency's contributions to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$5,141, \$5,774 and \$5,289, 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	\$ 449,254
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental fund. The cost of assets is \$4,304,167 and the accumulated depreciation is \$1,608,758	2,695,409
Certain liabilities applicable to the Agency's governmental activities are not due and payable in the current year and, therefore, are not reported as governmental fund liabilities.	<u>(2,816)</u>
Net assets of governmental activities	<u>\$3,141,847</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 \$ (72,154)

The governmental fund reports 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	\$ 1,626,750	
Depreciation expense	<u>(268,533)</u>	1,358,217

In the Statement of Activities, the loss on the sale of capital assets is reported, whereas the governmental fund reports the proceeds from the sale as an increase in financial resources. (149,558)

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. 858

Change in net assets of governmental activities \$ 1,137,363

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, 2010

	Actual	Less Funds Not Required to be Budgeted	Net	Original Budget	Final Budget	Favorable (Unfavorable) Variance
Revenues:						
Federal sources	\$ 2,333,119	-	2,333,119	1,930,408	1,934,671	398,448
State sources	494,128	-	494,128	585,946	585,946	(91,818)
Local sources	547,274	453,529	93,745	251,370	251,370	(157,625)
Miscellaneous	902,914	-	902,914	868,000	868,000	34,914
Total revenues	4,277,435	453,529	3,823,906	3,635,724	3,639,987	183,919
Expenditures:						
State transit assistance	556,588	-	556,588	546,526	546,526	(10,062)
Federal transit assistance-capital	1,670,196	-	1,670,196	1,381,000	1,381,000	(289,196)
Federal transit assistance-operating	1,213,756	453,529	760,227	837,578	841,841	81,614
Other	941,853	-	941,853	870,620	870,620	(71,233)
Total expenditures	4,382,393	453,529	3,928,864	3,635,724	3,639,987	(288,877)
Excess (deficiency) of revenues over (under) expenditures	(104,958)	-	(104,958)	-	-	(104,958)
Other financing sources	32,804	-	32,804	5,000	5,000	(27,804)
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(72,154)	-	(72,154)	5,000	5,000	(77,154)
Fund balance beginning of year	521,408	-	521,408	397,192	397,194	124,214
Fund balance end of year	\$ 449,254	-	449,254	402,192	402,194	47,060

See accompanying independent auditor's report.

Heart of Iowa Regional Transit Agency

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2010

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 \$4,263 and increased budgeted disbursements by \$4,263. The budget amendment is reflected in the final budgeted amounts. Total expenditures exceeded the total budget due to the purchase of vehicles near the end of the fiscal year.

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, 2010

	State	Federal		Other	Total
	Transit Assistance	Transit Assistance			
		Capital	Operating		
Revenues:					
Federal sources	\$ -	1,574,025	759,094	-	2,333,119
State sources	494,128	-	-	-	494,128
Local sources	-	93,745	453,529	-	547,274
Miscellaneous	-	-	-	902,914	902,914
Total revenues	494,128	1,667,770	1,212,623	902,914	4,277,435
Expenditures:					
Financial assistance to local transit subcontractors	346,842	1,670,196	760,227	909,049	3,686,314
Local matching services	-	-	453,529	-	453,529
Administration:					
Salaries and benefits	103,092	-	-	-	103,092
Professional services	17,319	-	-	-	17,319
Telephone	3,782	-	-	-	3,782
Rent and insurance	16,053	-	-	-	16,053
Office supplies	2,430	-	-	-	2,430
Travel and meetings	3,889	-	-	-	3,889
Equipment	344	-	-	-	344
Advertising	12,508	-	-	-	12,508
Dues	2,505	-	-	-	2,505
Miscellaneous	47,824	-	-	32,804	80,628
Total expenditures	556,588	1,670,196	1,213,756	941,853	4,382,393
Excess (deficiency) of revenues over (under) expenditures	(62,460)	(2,426)	(1,133)	(38,939)	(104,958)
Other financing sources:					
Sale of general fixed assets	-	-	-	32,804	32,804
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(62,460)	(2,426)	(1,133)	(6,135)	(72,154)
Fund balance beginning of year	235,193	24,598	41,838	219,779	521,408
Fund balance end of year	\$ 172,733	22,172	40,705	213,644	449,254

See accompanying independent auditor's report.

Heart of Iowa Regional Transit Agency
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2010

Grantor/ Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect:			
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Federal Transit - Capital Investment Grants	20.500	04-0113-110-08	\$ 479,584
ARRA - Formula Grants for Other Than Urbanized Areas	20.509	86-0001-110-09	1,094,765
Formula Grants for Other Than Urbanized Areas	20.509	18-0029-110-10	311,009
Formula Grants for Other Than Urbanized Areas	20.509	TF-2010-293	361
Formula Grants for Other Than Urbanized Areas	20.509	TF-2010-174	897
Formula Grants for Other Than Urbanized Areas	20.509	TF-2010-091	60
Formula Grants for Other Than Urbanized Areas	20.509	TF-2009-020	52
Formula Grants for Other Than Urbanized Areas	20.509	TF-2010-021	40
Formula Grants for Other Than Urbanized Areas	20.509	TF-2010-067	100
Formula Grants for Other Than Urbanized Areas	20.509	TF-2010-066	100
			<u>1,407,384</u>
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	16-X001-110-10	432,656
New Freedom Operating Assistance Project	20.521	57-X002-110-09	5,925
New Freedom Operating Assistance Project	20.521	57-X002-110-09	10,401
			<u>16,326</u>
Total indirect			<u>\$ 2,335,950</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 in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

Heart of Iowa Regional Transit Agency



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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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, 2010, and have issued our report thereon dated July 19, 2011. 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 and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control over financial reporting we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Heart of Iowa Regional Transit Agency's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-10 to be 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, 2010 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

July 19, 2011

**Independent Auditor's Report on Compliance
with Requirements That Could Have a Direct and Material Effect
on Each Major Program and on Internal Control over Compliance in Accordance
with OMB Circular A-133**

Heart of Iowa Regional Transit Agency



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Independent Auditor's Report on Compliance
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on 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 Heart of Iowa Regional Transit Agency's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on the Heart of Iowa Regional Transit Agency's major federal program for the year ended June 30, 2010. The Heart of Iowa Regional Transit Agency's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program 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 its major federal program for the year ended June 30, 2010.


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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Heart of Iowa Regional Transit Agency's internal control over compliance.

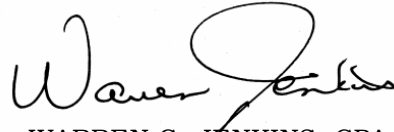
A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses, as defined above.

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

July 19, 2011

Heart of Iowa Regional Transit Agency
Schedule of Findings and Questioned Costs
Year ended June 30, 2010

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) The major program was:
 - CFDA Number 20.509 – ARRA - Formula Grants for Other Than Urbanized Areas and Formula Grants for Other Than Urbanized Areas.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The Heart of Iowa Regional Transit Agency did not qualify as a low-risk auditee.

Heart of Iowa Regional Transit Agency
Schedule of Findings and Questioned Costs
Year ended June 30, 2010

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCY:

II-A-10 Financial Reporting – Material amounts of accounts payable and accounts receivable were not accrued. These matters were resolved for audit purposes.

Recommendation – The Heart of Iowa Regional Transit Agency should ensure all accounts receivable and accounts payable are identified and accrued.

Response – There was 100% turnover in administrative office staff during fiscal year 2010, and over 3 months without an Executive Director. A new Executive Director was hired and internal accounting software (QuickBooks) was purchased in June, 2010 to begin use July 1, 2010. We are confident the necessary steps have been taken to ensure the daily accounting practices of recording all future accounts is accurate.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Heart of Iowa Regional Transit Agency
Schedule of Findings and Questioned Costs
Year ended June 30, 2010

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No material weaknesses in internal control over the major program were noted.

Heart of Iowa Regional Transit Agency
Schedule of Findings and Questioned Costs
Year ended June 30, 2010

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.
- (4) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

Heart of Iowa Regional Transit Agency

Staff

This audit was performed by:

Ernest H. Ruben Jr., CPA, Manager
Marta S. Sobieszkoda, Staff Auditor
Samantha J. Brincks, CPA, Staff Auditor

A handwritten signature in cursive script that reads "Andrew E. Nielsen".

Andrew E. Nielsen, CPA
Deputy Auditor of State