



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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David A. Vaudt, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE

March 29, 2013

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, Iowa, for the year ended June 30, 2012.

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 \$3,614,296 for the year ended June 30, 2012, a 41% increase over the prior year. Revenues included \$1,582,035 from federal sources, \$500,083 from state sources, \$634,491 from local sources and miscellaneous revenues totaling \$897,687.

Expenses for the year totaled \$3,257,638, a 14% increase over the prior year. Expenses included \$643,063 for state transit assistance, \$1,707,159 for federal transit assistance and \$907,416 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/1214-2402-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, 2012

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Heart of Iowa Regional Transit Agency

Officials

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Board of Directors		
Wayne E. Clinton	Chairperson	Story County
Bill Lusher	Vice Chairperson	Boone County
Steve Wilson	Secretary/Treasurer	Warren County
Kim Chapman	Member	Dallas County
Jim Kingery	Member	Marion County
Joe Brock	Member	Jasper County
Kirk Macumber	Member	Madison County

Agency

Julia Castillo	Executive Director
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Iowa Department of Transportation

Mike Tiedens	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, 2012. 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, 2012, 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 March 7, 2013 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.

U.S. generally accepted accounting principles require Management's Discussion and Analysis and the Budgetary Comparison Information on pages 7 through 10 and 20 through 21 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to

our inquiries, the financial statements and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Heart of Iowa Regional Transit Agency's financial statements. 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. The information has been subjected to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information 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

March 7, 2013

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, 2012 and is provided for consideration in conjunction with the Agency's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- The Agency received \$2,082,118 during the fiscal year from a combination of federal and state grants, an increase of 65.86%, or \$826,785, compared to the previous fiscal year. The increase is due primarily to receiving more federal funding to expand the Agency's bus and van fleet.
- Expenses increased 14%, or \$392,095, over 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 12.5%, or \$356,658, from June 30, 2011 to June 30, 2012.

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 supplementary information that explain some of the information in the financial 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 net assets of governmental activities.

Net Assets of Governmental Activities		
	June 30,	
	2012	2011
Current and other assets	\$ 874,576	875,203
Capital assets	2,621,459	2,307,204
Total assets	3,496,035	3,182,407
Current liabilities	292,126	335,156
Net assets:		
Invested in capital assets	2,621,459	2,307,204
Restricted	248,918	54,886
Unrestricted	333,532	485,161
Total net assets	\$ 3,203,909	2,847,251

Net assets of the Agency increased 12.5% (from \$2,847,251 to \$3,203,909) during the year. This increase is primarily due to receipt of federal funds to expand the Agency's bus and van fleet.

Change in Net Assets of Governmental Activities		
	Year ended June 30,	
	2012	2011
Program revenues:		
Federal sources	\$ 1,582,035	752,503
State sources	500,083	502,830
Local sources	634,491	440,794
Miscellaneous	897,687	874,820
Total revenues	3,614,296	2,570,947
Program expenses:		
State transit assistance	643,063	480,683
Federal transit assistance - capital	517,872	405,582
Federal transit assistance - operating	1,189,287	1,160,836
Other	907,416	818,442
Total expenses	3,257,638	2,865,543
Increase (decrease) in net assets	356,658	(294,596)
Net assets beginning of year	2,847,251	3,141,847
Net assets end of year	\$ 3,203,909	2,847,251

In fiscal year 2012, the Agency's total revenues increased \$1,043,349, or 41%, over fiscal year 2011. The increase was primarily the result of receiving more revenue from federal sources for purchasing new vehicles for the transit fleet and directly running services in Jasper County.

BUDGETARY HIGHLIGHTS

As shown in the Budgetary Comparison Schedule, budgeted revenues and expenditures exceeded actual amounts by \$319,638 and \$81,312, respectively. The result was primarily due to budgeting for replacing more vehicles in fiscal year 2012 than were purchased. Another factor adding to revenues and expenditures was providing direct services in Jasper County. The Agency did not amend the budget during the year ended June 30, 2012.

CAPITAL ASSETS

Capital Assets

At June 30, 2012, the Agency had \$2,621,459 invested in vehicles and equipment, net of accumulated depreciation. More detailed information about the Agency's capital assets is presented in Note 3 to the financial statements.

NEXT YEAR'S BUDGET

The budgeted revenues and expenditures decreased 9% and 18%, respectively, for fiscal year 2013 from actual fiscal year 2012 amounts. During fiscal year 2012, the Agency received federal funding for the expansion of the Agency's bus and van fleet. Federal funding for bus and van purchases decreased during fiscal year 2013.

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 2840 104th Street, Urbandale, Iowa 50322.

Financial Statements

Exhibit A

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

June 30, 2012

	General		Statement of
Assets	Fund	Adjustments	Net Assets
Cash and investments	\$ 465,107	-	465,107
Accounts receivable	409,469	-	409,469
Capital assets, net of accumulated depreciation of \$2,039,553	-	2,621,459	2,621,459
Total assets	<u>\$ 874,576</u>	<u>2,621,459</u>	<u>3,496,035</u>
Liabilities			
Accounts payable	\$ 287,376	-	287,376
Deferred revenue	256,460	(256,460)	-
Compensated absences	-	4,750	4,750
Total liabilities	<u>543,836</u>	<u>(251,710)</u>	<u>292,126</u>
Fund balance/Net assets			
Restricted for federal transit assistance	18,978	(18,978)	-
Unassigned fund balance	<u>311,762</u>	<u>(311,762)</u>	<u>-</u>
Total fund balance	<u>330,740</u>		
Total liabilities and fund balance	<u>\$ 874,576</u>		
Net assets:			
Invested in capital assets		2,621,459	2,621,459
Restricted		248,888	248,888
Unrestricted		<u>333,562</u>	<u>333,562</u>
Total net assets		<u>\$ 3,203,909</u>	<u>3,203,909</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, 2012

	General Fund	Adjustments	Statement of Activities
Revenues			
Program revenues:			
Federal sources	\$ 1,352,125	229,910	1,582,035
State sources	500,083	-	500,083
Local sources	634,491	-	634,491
Miscellaneous	871,137	26,550	897,687
Total revenues	<u>3,357,836</u>	<u>256,460</u>	<u>3,614,296</u>
Expenditures/Expenses			
Operating:			
State transit assistance	640,733	2,330	643,063
Federal transit assistance - capital	833,237	(315,365)	517,872
Federal transit assistance - operating	1,189,287	-	1,189,287
Other	907,416	-	907,416
Total expenditures/expenses	<u>3,570,673</u>	<u>(313,035)</u>	<u>3,257,638</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(212,837)	569,495	356,658
Other financing sources:			
Sale of capital assets	1,110	(1,110)	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	(211,727)	211,727	-
Change in net assets	-	356,658	356,658
Fund balance /net assets beginning of year	<u>542,467</u>	<u>2,304,784</u>	<u>2,847,251</u>
Fund balance /net assets end of year	<u>\$ 330,740</u>	<u>2,873,169</u>	<u>3,203,909</u>

See notes to financial statements.

Heart of Iowa Regional Transit Agency

Notes to Financial Statements

June 30, 2012

(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.

The Statement of Net Assets presents the Agency's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in the following categories:

Invested in capital assets consists of capital assets, net of accumulated depreciation.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

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.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the Agency's policy is to pay the expenditure from restricted fund balance and then from the less-restrictive unassigned fund balance.

D. Budget

The Executive Director of the 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, 2012.

G. Fund Balance – In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in the preceding classification.

(2) Cash and Investments

The Agency's deposits in banks at June 30, 2012 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, 2012 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital assets being depreciated:				
Vehicles	\$ 4,078,098	742,040	(209,520)	4,610,618
Equipment	50,394	-	-	50,394
Total	4,128,492	742,040	(209,520)	4,661,012
Less accumulated depreciation:				
Vehicles	1,775,357	393,756	(178,092)	1,991,021
Equipment	45,931	2,601	-	48,532
Total	1,821,288	396,357	(178,092)	2,039,553
Capital assets, net	\$ 2,307,204	345,683	(31,428)	2,621,459

(4) Compensated Absences

A summary of changes in compensated absences for the year ended June 30, 2012 is as follows:

Balance beginning of year	\$ 2,420
Increases	2,503
Decreases	173
Balance end of year	<u>\$ 4,750</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, 2012 for the operating lease was \$10,770.

(6) Contributed Support and Matching Services

Contributed support and matching services of \$292,626 were donated to the Agency by local transit subcontractors during the year ended June 30, 2012. 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 5.38% of their annual covered salary and the Agency is required to contribute 8.07% of covered salary. Contribution requirements are established by state statute. The Agency's contributions to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$19,087, \$7,132 and \$5,141, 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	\$ 330,740
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 \$4,661,012 and the accumulated depreciation is \$2,039,553.	2,621,459
Other assets are not available to pay current year expenditures and, therefore, are deferred in the governmental fund.	256,460
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.	(4,750)
Net assets of governmental activities	<u>\$ 3,203,909</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	\$ (211,727)
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	742,040
Depreciation expense	<u>(396,357)</u> 345,683
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.	(31,428)
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.	256,460
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.	(2,330)
Change in net assets of governmental activities	<u>\$ 356,658</u>

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, 2012

	Actual	Less Funds Not Required to be Budgeted	Net	Original and Final Budget	Favorable (Unfavorable) Variance
Revenues:					
Federal sources	\$ 1,352,125	-	1,352,125	1,913,770	(561,645)
State sources	500,083	-	500,083	499,218	865
Local sources	634,491	292,626	341,865	195,160	146,705
Miscellaneous	871,137	-	871,137	776,700	94,437
Total revenues	3,357,836	292,626	3,065,210	3,384,848	(319,638)
Expenditures:					
State transit assistance	640,733	-	640,733	719,724	78,991
Federal transit assistance - capital	833,237	-	833,237	1,354,160	520,923
Federal transit assistance - operating	1,189,287	292,626	896,661	761,170	(135,491)
Other	907,416	-	907,416	524,305	(383,111)
Total expenditures	3,570,673	292,626	3,278,047	3,359,359	81,312
Excess (deficiency) of revenues over (under) expenditures	(212,837)	-	(212,837)	25,489	(238,326)
Other financing sources	1,110	-	1,110	5,000	(3,890)
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(211,727)	-	(211,727)	30,489	(242,216)
Fund balance beginning of year	542,467	-	542,467	420,094	122,373
Fund balance end of year	\$ 330,740	-	330,740	450,583	(119,843)

See accompanying independent auditor's report.

Heart of Iowa Regional Transit Agency

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2012

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

There were no budget amendments during the year ended June 30, 2012.

Heart of Iowa Regional Transit Agency

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, 2012

	State Transit Assistance	Federal Transit Assistance Capital	Operating	Other	Total
Revenues:					
Federal sources	\$ -	694,364	657,761	-	1,352,125
State sources	500,083	-	-	-	500,083
Local sources	-	119,107	515,384	-	634,491
Miscellaneous	-	-	-	871,137	871,137
Total revenues	500,083	813,471	1,173,145	871,137	3,357,836
Expenditures:					
Financial assistance to local transit subcontractors	219,693	-	686,844	862,405	1,768,942
Local matching services	-	-	292,626	-	292,626
Administration:					
Salaries and benefits	282,459	-	-	-	282,459
Professional services	38,158	-	-	-	38,158
Telephone	9,458	-	-	-	9,458
Rent and insurance	27,387	-	-	-	27,387
Office supplies	3,132	-	-	-	3,132
Travel and meetings	7,944	-	-	-	7,944
Equipment	15,685	833,237	-	-	848,922
Vehicle maintenance	-	-	138,715	-	138,715
Technology	-	-	71,102	-	71,102
Advertising	15,312	-	-	-	15,312
Dues	6,743	-	-	-	6,743
Miscellaneous	14,762	-	-	45,011	59,773
Total expenditures	640,733	833,237	1,189,287	907,416	3,570,673
Excess (deficiency) of revenues over (under) expenditures	(140,650)	(19,766)	(16,142)	(36,279)	(212,837)
Other financing sources:					
Sale of capital assets	-	-	-	1,110	1,110
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(140,650)	(19,766)	(16,142)	(35,169)	(211,727)
Fund balance beginning of year	197,300	17,582	37,304	290,281	542,467
Fund balance end of year	\$ 56,650	(2,184)	21,162	255,112	330,740

See accompanying independent auditor's report.

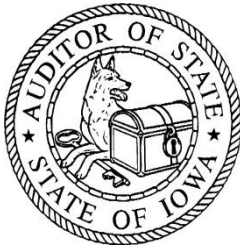
Heart of Iowa Regional Transit Agency
Schedule of Expenditures of Federal Awards
Year ended June 30, 2012

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	04-0113-110-11	\$ 330,265
Federal Transit_Capital Investment Grants	20.500	04-0117-110-11	335,841
			<u>666,106</u>
Formula Grants for Other Than Urbanized Areas	20.509	18-0030-110-11	744,194
Formula Grants for Other Than Urbanized Areas	20.509	TF-2012-004	159
Formula Grants for Other Than Urbanized Areas	20.509	TF-2012-031	163
Formula Grants for Other Than Urbanized Areas	20.509	TF-2012-037	177
Formula Grants for Other Than Urbanized Areas	20.509	TF-2012-069	80
Formula Grants for Other Than Urbanized Areas	20.509	TF-2012-070	60
Formula Grants for Other Than Urbanized Areas	20.509	TF-2012-105	163
Formula Grants for Other Than Urbanized Areas	20.509	TF-2012-106	60
Formula Grants for Other Than Urbanized Areas	20.509	TF-2012-155	1,998
Formula Grants for Other Than Urbanized Areas	20.509	TF-2012-242	346
Formula Grants for Other Than Urbanized Areas	20.509	TF-2012-243	52
Formula Grants for Other Than Urbanized Areas	20.509	TF-2012-244	52
Formula Grants for Other Than Urbanized Areas	20.509	TF-2012-266	224
Formula Grants for Other Than Urbanized Areas	20.509	TF-2012-267	224
			<u>747,952</u>
Public Transportation Research	20.514	26-X002-110-12	63,681
Public Transportation Research	20.514	26-X004-110-12	32,685
			<u>96,366</u>
New Freedom Program	20.521	57-X008-110-12	35,330
New Freedom Program	20.521	57-0002-110-12	20,356
			<u>55,686</u>
Total indirect			<u>\$ 1,566,110</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, 2012, and have issued our report thereon dated March 7, 2013. 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

Management of the Heart of Iowa Regional Transit Agency is responsible for establishing and maintaining effective 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.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting we consider to be material weaknesses, as defined above.

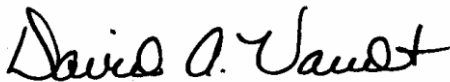
Compliance and Other Matters

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, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Agency. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials and employees of the Heart of Iowa Regional Transit Agency and other parties to whom the 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

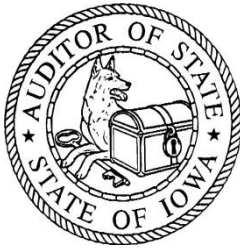


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 7, 2013

**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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STATE OF IOWA

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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

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 each of the Heart of Iowa Regional Transit Agency's major federal programs for the year ended June 30, 2012. 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 grant 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

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 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 deficiencies, 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

March 7, 2013

Heart of Iowa Regional Transit Agency
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

Part I: Summary of the Independent Auditor's Results

- (a) Unqualified opinions were issued on the financial statements.
- (b) No material weaknesses in internal control over financial reporting were noted.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses over internal control for the major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (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 programs were:
 - CFDA Number 20.500 – Federal Transit – Capital Investment Grants
 - CFDA Number 20.509 – 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, 2012

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

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

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

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 programs were noted.

Heart of Iowa Regional Transit Agency
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

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:

Pamela J. Bormann, CPA, Manager
Alison P. Herold, CPA, Senior Auditor
Matthew S. Nye, Assistant Auditor
Benjamin D. Scieszinski, Audit Intern

A handwritten signature in black ink, reading "Andrew E. Nielsen". The signature is written in a cursive style with a large initial "A" and "N".

Andrew E. Nielsen, CPA
Deputy Auditor of State