



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 281-6518

NEWS RELEASE

FOR RELEASE

March 18, 2021

Contact: Marlys Gaston
515/281-5834

Auditor of State Rob Sand today released an audit report on the Heart of Iowa Regional Transit Agency for the year ended June 30, 2020.

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

FINANCIAL HIGHLIGHTS:

The Agency's revenues totaled \$4,343,928 for the year ended June 30, 2020, an 18.7% increase over the prior year. Expenses for Agency operations for the year ended June 30, 2020 totaled \$3,702,178 a 20.0% decrease from the prior year. The significant increase in the revenues is due to the receipt of CARES ACT funding related to COVID-19. The significant decrease in expenses is due to the layoffs of employees due to COVID-19 and no longer having any local transit subcontractors.

AUDIT FINDINGS:

Sand reported three findings related to the receipt and expenditure of taxpayer funds. They are found on pages 50 through 55 of this report. The findings address issues such as material amounts of expenses and revenues not properly recorded in the Agency's financial statements, lack of timely publication of minutes and disbursements exceeding budgeted amounts. Sand provided the agency with recommendations to address each of these findings.

The three findings discussed above are repeated from the prior year. The Agency Board has a fiduciary responsibility to provide oversight of the HIRTA's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity.

A copy of the audit report is available for review on the Auditor of State's web site at <https://auditor.iowa.gov/reports/audit-reports>.

###

HEART OF IOWA REGIONAL TRANSIT AGENCY

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

JUNE 30, 2020

Heart of Iowa Regional Transit Agency



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 281-6518

Rob Sand
Auditor of State

March 5, 2021

Officials of the Heart of Iowa Regional Transit Agency
Urbandale, Iowa

Dear Board Members:

I am pleased to submit to you the financial and compliance audit report for the Heart of Iowa Regional Transit Agency for the year ended June 30, 2020. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

I appreciate the cooperation and courtesy extended by the officials and employees of the Heart of Iowa Regional Transit Agency throughout the audit. If I or this office can be of any further assistance, please contact me or my staff at 515-281-5834.

Sincerely,

A handwritten signature in black ink that reads "Rob Sand".

Rob Sand
Auditor of State

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		5-7
Management's Discussion and Analysis		8-11
Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Position	A	14
Statement of Activities	B	15
Governmental Fund Financial Statements:		
Balance Sheet	C	16
Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balance	D	17
Notes to Financial Statements		18-32
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund		34
Notes to Required Supplementary Information – Budgetary Reporting Schedule of the Agency's Proportionate Share of the Net Pension Liability		35
Schedule of Agency Contributions		36-37
Notes to Required Supplementary Information – Pension Liability		38-39
Schedule of Changes in the County's Total OPEB Liability, Related Ratios and Notes		40
Supplementary Information:	<u>Schedule</u>	
Schedule of Expenditures of Federal Awards	1	45
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 <u>Government Auditing Standards</u>		46-47
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance		48-49
Schedule of Findings and Questioned Costs		50-55
Staff		56

Heart of Iowa Regional Transit Agency

Officials

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Board of Directors		
Phil Clifton	Chairperson	Madison County
Lauris Olson	Vice Chairperson	Story County
Bill Zinnel	Treasurer	Boone County
Kim Chapman	Member	Dallas County
Doug Cupples	Member	Jasper County
Aaron DeKock	Member	Warren County
Steve McCombs	Member	Marion County

Agency

Julia Castillo Executive Director

Iowa Department of Transportation

Vacant Director of the Office of Public Transit

Heart of Iowa Regional Transit Agency



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 281-6518

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of the Heart of Iowa Regional Transit Agency as of and for the year ended June 30, 2020, and the related Notes to Financial Statements, which collectively comprise the Agency's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund and the aggregate remaining fund information of the Heart of Iowa Regional Transit Agency as of June 30, 2020, and the respective changes in its financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the Agency's Proportionate Share of the Net Pension Liability, the Schedule of Agency Contributions, and the Schedule of Changes in HIRTA's Total OPEB Liability on pages 8 through 11 and 34 through 41 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 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 information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

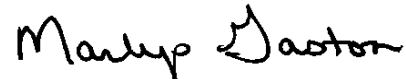
Supplementary Information

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 Schedule 1, the Schedule of Expenditures of Federal Awards required by Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the 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 aspects in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 5, 2021 on our consideration of the Heart of Iowa Regional Transit Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Heart of Iowa Regional Transit Agency's internal control over financial reporting and compliance.



Marlys K. Gaston, CPA
Deputy Auditor of State

March 5, 2021

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, 2020 and is provided for consideration in conjunction with the Agency's financial statements, which follow.

2020 FINANCIAL HIGHLIGHTS

- The Agency received approximately \$2,851,110 during the fiscal year from a combination of federal and state grants, an increase of 48.1%, or approximately \$926,600, compared to the previous fiscal year. The increase is due primarily to the receiving CARES Act funding in fiscal year 2020.
- Expenses decreased 20.9%, or approximately \$969,000, from the prior fiscal year due to a decrease in salaries and benefit, vehicle maintenance and no financial assistance to local transit subcontractors.
- The Agency's net position at June 30, 2020 increased 206.8%, or \$641,750, from June 30, 2019 to June 30, 2020.

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 Position 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.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the entity-wide financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the Agency's budget for the year, the Agency's proportionate share of the net pension liability and related contributions.

Supplementary Information includes the Schedule of Expenditures of Federal Awards, which 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 Position 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, deferred outflows of resources, liabilities and deferred inflows of resources 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 Position presents financial information on all of the Agency's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in the Agency's net position 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 position changed during the most recent fiscal year. All changes in net position 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 presented in the Statement of Net Position and the Statement of Activities. Governmental activities include state transit assistance, federal transit assistance and other.

ENTITY-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. The analysis that follows focuses on the net position of governmental activities.

Net Position of Governmental Activities		
	June 30,	
	2020	2019
Current and other assets	\$ 1,047,481	281,294
Capital assets	1,183,989	1,479,985
Total assets	2,231,470	1,761,279
Deferred outflows of resources	476,520	687,358
Current liabilities	146,210	466,791
Noncurrent liabilities	1,245,765	1,547,289
Total liabilities	1,391,975	2,014,080
Deferred inflows of resources	363,933	124,225
Net position:		
Net investment in capital assets	1,183,989	1,479,985
Restricted	63,479	-
Unrestricted	(295,386)	(1,169,653)
Total net position	\$ 952,082	310,332

The net position of the Agency increased 206.8% (from \$310,332 to \$952,082) during the year. This increase is primarily due to the CARES Act funding received and laying off staff due to COVID-19.

Change in Net Position of Governmental Activities		
	Year ended June 30,	
	2020	2019
Program revenues:		
Federal sources	\$ 2,083,129	1,257,073
State sources	767,981	667,484
Local sources	319,054	507,486
Miscellaneous	1,126,080	1,207,225
Total revenues	<u>4,296,244</u>	<u>3,639,268</u>
Program expenses:		
Financial assistance to local transit subcontractors	-	189,400
Local matching services	-	168,693
Administration:		
Salaries and benefits	1,890,002	2,209,475
Professional services	131,997	141,212
Telephone	32,772	38,322
Rent and insurance	500,295	566,708
Office supplies	24,723	16,240
Travel and meetings	12,523	23,592
Equipment	2,907	2,098
Vehicle maintenance	689,638	878,809
Advertising	2,813	7,348
Dues	15,943	7,158
Miscellaneous	55,190	29,274
Depreciation	<u>298,006</u>	<u>347,003</u>
Total expenses	<u>3,656,809</u>	<u>4,625,332</u>
Excess of revenues over expenses	639,435	(986,064)
Other financing sources, net	<u>2,315</u>	<u>19,453</u>
Change in net position	641,750	(966,611)
Net position beginning of year	<u>310,332</u>	<u>1,276,943</u>
Net position end of year	<u>\$ 952,082</u>	<u>310,332</u>

In fiscal year 2020, the Agency's total revenues increased \$656,976, or 18.1%, from fiscal year 2019. The increase was primarily the result of receiving funds from the CARES Act.

In fiscal year 2020, the Agency's total expenses decreased \$968,523, or 20.9%, from fiscal year 2019. The decrease was primarily the result of a decrease in salaries and benefits as HIRTA had to lay off staff due to COVID-19 and a decrease in vehicle maintenance expenses.

BUDGETARY HIGHLIGHTS

As shown in the Budgetary Comparison Schedule, actual revenues exceeded budgeted revenues by \$470,436 and actual expenditures were less than budgeted expenditures by \$41,251.

CAPITAL ASSETS AND DEBT

Capital Assets

At June 30, 2020, the Agency had \$1,183,989 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.

Long-Term Debt

At June 30, 2020, the Agency had no long-term debt outstanding.

NEXT YEAR'S BUDGET

Budgeted revenues and expenditures decreased 3.36% and 0.69%, respectively, for fiscal year 2021 from the budgeted fiscal year 2020 revenues and expenses.

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 2824 104th Street, Urbandale, Iowa 50322.

Heart of Iowa Regional Transit Agency

Basic Financial Statements

Heart of Iowa Regional Transit Agency

Statement of Net Position

June 30, 2020

	<u>Statement of Net Position</u>
Assets	
Cash and investments	\$ 455,811
Accounts receivable	591,670
Capital assets, net of accumulated depreciation of \$2,749,740	<u>1,183,989</u>
Total assets	<u>2,231,470</u>
Deferred Outflows of Resources	
Pension related deferred outflows of resources	<u>476,520</u>
Total assets and deferred outflows of resources	<u>2,707,990</u>
Liabilities	
Current liabilities:	
Accounts payable	118,353
Compensated absences	<u>27,857</u>
Total current liabilities	<u>146,210</u>
Non-current liabilities:	
Total OPEB liability	26,767
Net pension liability	<u>1,218,998</u>
Total non-current liabilities	<u>1,245,765</u>
Total liabilities	<u>1,391,975</u>
Deferred Inflows of Resources	
OPEB related deferred inflows of resources	497
Pension related deferred inflows of resources	<u>363,436</u>
Total deferred inflows of resources	<u>363,933</u>
Net Position	
Net investment in capital assets	1,183,989
Restricted	63,479
Unrestricted	<u>(295,386)</u>
Total net position	<u>\$ 952,082</u>

See notes to financial statements.

Heart of Iowa Regional Transit Agency

Statement of Activities

June 30, 2020

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	
Functions/Programs:				
Governmental activities:				
Administration	\$ 3,404,172	1,385,357	2,511,776	49,067
Unallocated depreciation	298,006	-	-	-
Total	<u>\$ 3,702,178</u>	<u>1,385,357</u>	<u>2,511,776</u>	<u>49,067</u>
General Revenues:				
Fuel tax refund				39,566
Unrestricted investment earnings				425
Miscellaneous				<u>357,737</u>
Total general revenues				<u>397,728</u>
Change in net position				641,750
Net position beginning of year				<u>310,332</u>
Net position end of year				<u>\$ 952,082</u>

See notes to financial statements.

Heart of Iowa Regional Transit Agency

Balance Sheet
Governmental Funds

June 30, 2020

	<u>Special Revenue</u>		
	<u>General</u>	<u>Heart of Iowa</u>	<u>Total</u>
Assets			
Cash and investments	\$ 392,332	63,479	455,811
Accounts receivable	591,670	-	591,670
Total assets	984,002	63,479	1,047,481
Liabilities			
Accounts payable	118,353	-	118,353
Deferred Inflows of Resources			
Unavailable revenue	34,980	-	34,980
Fund Balance			
Unassigned	830,669	-	830,669
Restricted	-	63,479	63,479
Total fund balance	830,669	63,479	894,148
Total liabilities, deferred inflows of resources and fund balance	\$ 984,002	63,479	1,047,481

See notes to financial statements.

Heart of Iowa Regional Transit Agency

Statement of Revenues, Expenditures
and Changes in Fund Balance

Year ended June 30, 2020

	Nonmajor <u>Special Revenue</u>		Total
	General	Heart of Iowa	
Revenues:			
Federal grants	\$ 2,083,129	-	2,083,129
State grants	728,415	-	728,415
Passenger revenue	276,561	-	276,561
Contract revenue	865,079	-	865,079
Interest income	401	24	425
Insurance reimbursement	47,661	-	47,661
Fuel tax refund	39,566	-	39,566
Miscellaneous	234,912	63,455	298,367
Total revenues	4,275,724	63,479	4,339,203
Expenditures:			
Salaries and benefits	1,756,232	-	1,756,232
Professional services	131,997	-	131,997
Telephone	32,772	-	32,772
Rent and insurance	500,295	-	500,295
Office supplies	24,723	-	24,723
Travel and meetings	12,523	-	12,523
Equipment	50,286	-	50,286
Vehicle maintenance	689,638	-	689,638
Advertising	2,813	-	2,813
Dues	15,943	-	15,943
Miscellaneous	55,190	-	55,190
Total expenditures	3,272,412	-	3,272,412
Change in fund balances	1,003,312	63,479	1,066,791
Fund balances (deficit) beginning of year	(172,643)	-	(172,643)
Fund balances end of year	\$ 830,669	63,479	894,148

See notes to financial statements.

Heart of Iowa Regional Transit Agency

Notes to Financial Statements

June 30, 2020

(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 Boone, Dallas, Jasper, Madison, Marion, Story and Warren Counties. 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 most 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.

These financial statements present the Heart of Iowa Regional Transit Agency (the primary government) and its component unit. The component unit discussed below is included in the Agency's reporting entity because of the significance of its operational or financial relationship with the Agency.

Blended Component Unit – The Heart of Iowa is legally separate from the Agency, but it is so intertwined with the Agency it is, in substance, the same as the Agency. It is reported as part of the Agency and reported as a Special Revenue Fund.

The Heart of Iowa was incorporated under Chapter 504 of the Code of Iowa to solicit and accept gifts and donations from person or organizations for the purpose of providing transportation to the general public with an emphasis on those with disabilities, special needs, the elderly and low-income residences. These gifts and donations are to be used to purchase items which are not included in the Agency's budget.

B. Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities report information on all of the activities of the Agency and its component unit.

The Statement of Net Position presents the Agency's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories.

Net investment in capital assets consists of capital assets, net of accumulated depreciation.

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

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function.

Fund Financial Statements

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining funds are aggregated and reported as nonmajor governmental funds.

The Agency reports the following major governmental fund:

The General Fund is the operating fund of the Agency. All federal and state revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, fixed charged and capital improvement costs for the Agency.

The Agency also reports the Special Revenue, Heart of Iowa Fund, a nonmajor fund and blended component unit of the Agency.

C. Measurement Focus and Basis of Accounting

The government-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 the governmental fund 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 Position. 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 - 10
Vehicles	10

F. Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position applicable to a future year(s) which will not be recognized as an outflow of resources (expense/expenditures) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the Agency after the measurement date but before the end of the Agency's reporting period.

G. 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 Position. This liability has been computed based on rates of pay in effect at June 30, 2020.

H. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

I. Total OPEB Liability

For purposes of measuring the total OPEB liability, deferred inflows of resources related to OPEB and OPEB expense, information has been determined based on the Heart of Iowa Regional Transit Agency's actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

J. Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position applicable to a future year(s) which will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of passenger fees not collected within sixty days after year end. Deferred inflows of resources in the Statement of Net Position consist of unrecognized items not yet charged to pension and OPEB expense and the unamortized portion of the net difference between projected and actual earnings on pension plan assets.

K. Fund Balance

In the governmental fund financial statements, fund balances are classified as unassigned as there are no constraints placed on the use of resources.

(2) Cash and Investments

The Agency's deposits in banks at June 30, 2020 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 ensure 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. 72.

(3) Capital Assets

Capital assets activity for the year ended June 30, 2020 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital assets being depreciated:				
Vehicles	\$ 3,937,772	47,379	(80,063)	3,905,088
Equipment	28,641	-	-	28,641
Total	3,966,413	47,379	(80,063)	3,933,729
Less accumulated depreciation for:				
Vehicles	2,474,841	295,755	(34,694)	2,735,902
Equipment	11,587	2,251	-	13,838
Total	2,486,428	298,006	(34,694)	2,749,740
Capital assets, net	\$ 1,479,985	(250,627)	(45,369)	1,183,989

(4) Pension Plan

Plan Description – IPERS membership is mandatory for employees of the Agency, except for those covered by another retirement system. Employees of the Agency are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees’ Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at PO Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment or when the member’s years of service plus the member’s age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member’s first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member’s monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member’s highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

If a member retires before normal retirement age, the member’s monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member’s earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2020, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the Agency contributed 9.44% of covered payroll, for a total rate of 15.73%.

The Agency's contributions to IPERS for the year ended June 30, 2020 totaled \$136,863.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2020, the Agency reported a liability of \$1,218,998 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Agency's proportion of the net pension liability was based on the Agency's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2019, the Agency's proportion was 0.021051%, which was a decrease of 0.003052% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Agency recognized pension expense of \$281,185. At June 30, 2020, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,379	43,829
Changes of assumptions	130,572	-
Net difference between projected and actual earnings on IPERS' investments	-	137,366
Changes in proportion and differences between Agency contributions and the Agency's proportionate share of contributions	205,706	182,241
Agency contributions subsequent to the measurement date	136,863	-
Total	<u>\$ 476,520</u>	<u>363,436</u>

\$136,863 reported as deferred outflows of resources and deferred inflows of resources related to pensions resulting from Agency contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30,	Amount
2021	\$ 49,162
2022	(16,839)
2023	1,304
2024	(38,311)
2025	(19,095)
Total	<u>\$ (23,779)</u>

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2019 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	22.0%	5.60%
International equity	15.0	6.08
Global smart beta equity	3.0	5.82
Core plus fixed income	27.0	1.71
Public credit	3.5	3.32
Public real assets	7.0	2.81
Cash	1.0	(0.21)
Private equity	11.0	10.13
Private real assets	7.5	4.76
Private credit	3.0	3.01
Total	<u>100.0%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the Agency will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS’s fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS’ investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Agency's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the Agency's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the Agency's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Agency's proportionate share of the net pension liability	\$ 2,164,548	1,218,998	425,882

IPERS Fiduciary Net Position – Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payable to IPERS – All legally required Agency contributions and legally required employee contributions which had been withheld from employee wages were remitted by the Agency to IPERS by June 30, 2020.

(5) Other Postemployment Benefits (OPEB)

Plan Description – HIRTA administers a single-employer benefit plan which provides medical, prescription drug and dental benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by HIRTA and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical, prescription drug and dental benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Retired participants must be age 55 or older at retirement. At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	-
Active employees	<u>16</u>
Total	<u><u>16</u></u>

Total OPEB Liability – HIRTA's total OPEB liability of \$26,767 was measured as of June 30, 2020 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions – The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2020)	2.60% per annum.
Rates of salary increase (effective June 30, 2020)	3.25% per annum, including inflation.
Discount rate (effective June 30, 2020)	3.50% compounded annually, including inflation.
Healthcare cost trend rate (effective June 30, 2020)	6.75% initial rate decreasing by .25% annually to an ultimate rate of 4.00%.

Discount Rate – The discount rate used to measure the total OPEB liability was 3.50% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates are from the RP 2014 employee table, projected generationally using MP 2017 for pre-retirement and the RP 2014 Healthy Annuitant Table, projected generationally using MP 2017 for post-retirement.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Total OPEB liability beginning of year, as restated	\$ 21,972
Changes for the year:	
Service cost	4,084
Interest	909
Differences between expected and actual experiences	-
Changes in assumptions	-
Benefit payments	(198)
Net changes	<u>4,795</u>
Total OPEB liability end of year	<u>\$ 26,767</u>

Changes of assumptions reflect no change in the discount rate from 3.50% in fiscal year 2019 to 3.50% in fiscal year 2020.

Sensitivity of HIRTA's Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the HIRTA, as well as what the HIRTA's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.50%) or 1% higher (4.50%) than the current discount rate.

	1% Decrease (2.50%)	Discount Rate (3.50%)	1% Increase (4.50%)
Total OPEB liability	\$ 29,144	26,767	24,622

Sensitivity of the Association's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the HIRTA, as well as what the HIRTA's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (5.75%) or 1% higher (7.75%) than the current healthcare cost trend rates.

	1% Decrease (5.75%)	Healthcare Cost Trend Rate (6.75%)	1% Increase (7.75%)
Total OPEB liability	\$ 23,015	26,767	31,434

OPEB Expense and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2019, HIRTA recognized OPEB expense of \$5,088. At June 30, 2019, HIRTA reported deferred inflows of resources related to OPEB from the following sources:

	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -
Changes in assumptions	497
Total	<u>\$ 497</u>

The amount reported as deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year ending June 30,	Amount
2021	\$ 95
2022	95
2023	95
2024	95
2025	95
Thereafter	22
	<u>\$ 497</u>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2020 is as follows:

	Compensated Absences	Net Pension Liability	Total OPEB Liability	Total
Balance beginning of year	\$ 43,109	1,525,317	21,972	1,590,398
Increases	-	-	4,795	4,795
Decreases	15,252	306,319	-	321,571
Balance end of year	<u>\$ 27,857</u>	<u>1,218,998</u>	<u>26,767</u>	<u>1,273,622</u>
Due within one year	<u>\$ 27,857</u>	-	-	<u>27,857</u>

(7) Operating Leases

The Agency has entered into agreements to lease office facilities. These leases are classified as operating leases and, accordingly all rents are charged to expenses as incurred. The leases expire on July 31, 2021, March 31, 2021, June 30, 2021 and March 31, 2022. Certain leases are renewable for additional periods. The leases also require the payment of normal maintenance and insurance on the properties.

A schedule of future minimum rental payments required under operating leases which have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2020 is as follows:

Year ending June 30,	Urbandale Office	Ames Office	Indianola Office	Boone Office	Total
2021	\$ 46,220	28,800	11,100	20,900	107,020
2022	3,871	-	8,325	-	12,196
Total	\$ 50,091	28,800	19,425	20,900	119,216

Total rent expense for the year ended June 30, 2020 for all operating leases was \$113,767.

(8) Risk Management

The Agency is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 779 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The Agency's property and casualty contributions to the Pool are recorded as disbursements from its operating funds at the time of payment to the Pool. The Agency's contributions to the Pool for the year ended June 30, 2020 were \$12,785.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$500,000 per claim. Claims exceeding \$500,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the Agency's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the Agency's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the Agency's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

The Agency does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2020, no liability has been recorded in the Agency's financial statements. As of June 30, 2020, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The Agency also carries commercial insurance purchased from other insurers for coverage associated with workers compensation, employment practices liability, and directors & officers' liability in the amount of \$500,000, \$1,000,000 and \$1,000,000, respectively. The Agency assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting 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 Position

Total fund balance - Governmental Funds		\$	894,148
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$3,933,729 and the accumulated depreciation is \$2,749,740.			1,183,989
Other long-term assets are not available to pay current expenditure and, therefore, are recognized as deferred inflows of resources in the governmental funds.			34,980
Pension and OPEB related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental fund, as follows:			
Deferred outflows of resources	\$	476,520	
Deferred inflows of resources		<u>(363,933)</u>	112,587
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, as follows:			
Compensated absences		(27,857)	
Total OPEB liability		(26,767)	
Net pension liability		<u>(1,218,998)</u>	<u>(1,273,622)</u>
Net position of governmental activities			<u>\$ 952,082</u>

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

Change in fund balance - Governmental Funds \$ 1,066,791

The governmental fund reports capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Depreciation expense exceeded capital outlay expenditures in the current year, as follows:

Expenditures for capital assets	\$ 47,379	
Depreciation expense	<u>(298,006)</u>	(250,627)

In the Statement of Activities, the loss on the disposition of capital assets is reported, whereas, the governmental funds report the proceeds from the disposition as an increase in financial resources. (45,369)

Because some revenues will not be collected for several months after the Agency's year end, they are not considered available revenues and are not recognized as deferred inflows of resources in the governmental funds. 4,725

The current year Agency share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as deferred outflows of resources in the Statement of Net Position. 136,863

Certain expenditures 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, as follows:

Compensated absences	15,252	
OPEB expense	(4,700)	
Pension expense	<u>(281,185)</u>	<u>(270,633)</u>

Change in net position of governmental activities \$ 641,750

Required Supplementary Information

Heart of Iowa Regional Transit Agency

Budgetary Comparison Schedule of Revenues, Expenditures and Changes
in Fund Balance – Budget and Actual – General Fund

Required Supplementary Information

Year ended June 30, 2020

	Actual	Budgeted	Budgeted	Favorable
		Amount	Amount	(Unfavorable)
		Original	Final	Variance
Revenues:				
Federal sources	\$ 2,083,129	1,026,184	1,565,182	517,947
State sources	767,981	889,848	792,378	(24,397)
Local sources	319,054	405,000	312,564	6,490
Miscellaneous	1,057,900	1,349,746	1,087,504	(29,604)
Total revenues	4,228,064	3,670,778	3,757,628	470,436
Expenditures:				
Administration:				
Salaries and benefits	1,756,232	2,051,146	1,871,925	115,693
Professional services	131,997	67,545	136,265	4,268
Telephone	32,772	37,500	37,500	4,728
Rent and insurance	500,295	451,491	490,968	(9,327)
Office supplies	24,723	15,814	23,200	(1,523)
Travel and meetings	12,523	21,200	9,588	(2,935)
Equipment	50,286	1,700	50,025	(261)
Vehicle maintenance	689,638	955,323	674,223	(15,415)
Advertising	2,813	4,300	2,669	(144)
Dues	15,943	3,100	6,443	(9,500)
Miscellaneous	55,190	18,283	10,857	(44,333)
Total expenditures	3,272,412	3,627,402	3,313,663	41,251
Excess of revenues over expenditures	955,652	43,376	443,965	511,687
Other financing sources	47,660	-	47,660	-
Change in balances	1,003,312	43,376	491,625	511,687
Fund balance beginning of year	(172,643)	936,188	936,188	(1,108,831)
Fund balance end of year	\$ 830,669	979,564	1,427,813	(597,144)

See accompanying independent auditor's report.

Heart of Iowa Regional Transit Agency

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2020

The Executive Director of the Heart of Iowa Regional Transit Agency prepares an annual budget for the Agency's general operations, except for activity related to local matching services and activity of the blended component unit. This budget is approved and monitored by the Board. Budgetary control is based on total expenditures.

There was one budget amendment during the year ended June 30, 2020.

Heart of Iowa Regional Transit Agency
 Schedule of the Agency's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
 For the Last Six Years*
 (In Thousands)

Required Supplementary Information

	2020	2019	2018	2017
Agency's proportion of the net pension liability	0.021051%	0.024103%	0.018304%	0.019731%
Agency's proportionate share of the net pension liability	\$ 1,219	1,525	1,219	1,242
Agency's covered payroll	\$ 1,604	1,801	1,389	1,423
Agency's proportionate share of the net pension liability as a percentage of its covered payroll	76.00%	84.68%	87.76%	87.28%
IPERS' net position as a percentage of the total pension liability	85.45%	83.62%	82.21%	81.82%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

2016	2015
0.019680%	0.016845%
972	668
1,368	1,115
71.05%	59.91%
85.19%	87.61%

Heart of Iowa Regional Transit Agency

Schedule of Agency Contributions

Iowa Public Employees' Retirement System
For the Last Ten Years*
(In Thousands)

Required Supplementary Information

	2020	2019	2018	2017
Statutorily required contribution	\$ 137	151	161	124
Contributions in relation to the statutorily required contribution	(137)	(151)	(161)	(124)
Contribution deficiency (excess)	\$ -	-	-	-
Agency's covered payroll	\$ 1,450	1,604	1,801	1,389
Contributions as a percentage of covered payroll	9.44%	9.44%	8.93%	8.93%

See accompanying independent auditor's report.

2016	2015	2014	2013	2012	2011
127	122	98	77	19	7
(127)	(122)	(98)	(77)	(19)	(7)
-	-	-	-	-	-
1,423	1,368	1,115	883	237	103
8.93%	8.93%	8.93%	8.67%	8.07%	6.95%

Heart of Iowa Regional Transit Agency

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2020

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

Heart of Iowa Regional Transit Agency
 Schedule of Changes in the Agency's
 Total OPEB Liability, Related Ratios and Notes

For the Last Two Years
 Required Supplementary Information

	2020	2019
Service cost	\$ 4,084	4,204
Interest cost	909	795
Difference between expected and actual experiences	-	-
Changes in assumptions	-	687
Benefit payments	(198)	(73)
Net change in total OPEB liability	4,795	5,613
Total OPEB liability beginning of year	21,972	16,359
Total OPEB liability end of year	\$ 26,767	21,972
Covered-employee payroll	\$ 696,982	750,799
Total OPEB liability as a percentage of covered-employee payroll	3.8%	2.9%

See accompanying independent auditor's report.

Notes to Schedule of Changes in the Agency's Total OPEB Liability and Related Ratios

Changes in benefit terms:

There were no significant changes in benefit terms.

Changes in assumptions:

Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period.

Year ended June 30, 2020	3.50%
Year ended June 30, 2019	3.50%

Heart of Iowa Regional Transit Agency

Supplementary Information

Heart of Iowa Regional Transit Agency

Heart of Iowa Regional Transit Agency
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2020

Grantor/ Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
Indirect:			
U.S. Department of Transportation:			
Iowa Department of Transportation:			
COVID-19 - Formula Grants for Rural Areas	20.509	2020-010-00-FY20	\$ 1,003,231
Formula Grants for Rural Areas	20.509	2019-024-00-110-FY20	871,275
Formula Grants for Rural Areas	20.509	TFR20	24,346
			<u>1,898,852</u>
Job Access/Reverse Commute Project	20.516	37-X023-110-SFY20	9,662
Bus and Bus Facilities Formula Program	20.526	2019-008-00-110-FY18	41,706
U.S. Department of Health and Human Services:			
Aging Resources of Central Iowa:			
Aging Cluster:			
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	Title III/ES: Assisted Transportation/Transportation	132,909
Total			<u>\$ 2,083,129</u>

Basis of Presentation – The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of the Heart of Iowa Regional Transit Agency for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Heart of Iowa Regional Transit Agency, it is not intended to and does not present the financial position, changes in financial position or cash flows of the Heart of Iowa Regional Transit Agency.

Summary of Significant Accounting Policies – Expenditures reported in the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rate – The Heart of Iowa Regional Transit Agency has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

See accompanying independent auditor's report.



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 281-6518

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 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, the financial statements of the governmental activities, the major fund and the aggregate remaining fund information of the Heart of Iowa Regional Transit Agency as of and for the year ended June 30, 2020, and the related Notes to Financial Statements, which collectively comprise the Agency's financial statements, and have issued our report thereon dated March 5, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Heart of Iowa Regional Transit Agency's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Heart of Iowa Regional Transit Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Heart of Iowa Regional Transit Agency's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control that 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 Agency's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item II-A-20 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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, 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. However, we noted an immaterial instance of non-compliance or other matters which is described in the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the Agency's operations for the year ended June 30, 2020 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 Findings

The Heart of Iowa Regional Transit Agency's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The Heart of Iowa Regional Transit Agency's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

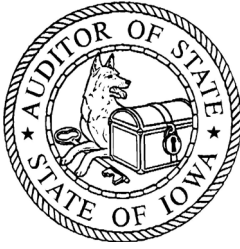
Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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.


Marlys K. Gaston, CPA
Deputy Auditor of State

March 5, 2021



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 281-6518

Independent Auditor's Report on Compliance
for Each Major Federal Program and on Internal Control Over Compliance
Required by the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

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) Compliance Supplement that could have a direct and material effect on its major federal program for the year ended June 30, 2020. 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.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Heart of Iowa Regional Transit Agency's major federal program based on our audit of the types of compliance requirements referred to above. 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 Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance 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 on compliance for the major federal program. However, our audit does not provide a legal determination of the Heart of Iowa Regional Transit Agency's compliance.

Opinion on the Major Federal Program

In our opinion, the Heart of Iowa Regional Transit Agency complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2020.

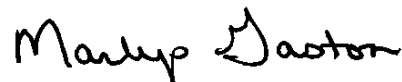
Report on Internal Control Over Compliance

The management of the Heart of Iowa Regional Transit Agency is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Heart of Iowa Regional Transit Agency's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 over compliance 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Marlys K. Gaston, CPA
Deputy Auditor of State

March 5, 2021

Heart of Iowa Regional Transit Agency
Schedule of Findings and Questioned Costs
Year ended June 30, 2020

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

- (a) An unmodified opinion was issued on the financial statements which were prepared in accordance with U.S. generally accepted accounting principles.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over compliance for the major program were noted.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit did not disclose audit findings which were required to be reported in accordance with the Uniform Guidance, Section 200.516.
- (g) The major program was CFDA Number 20.509 – Formula Grants for Rural Areas.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (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, 2020

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-20 Financial Reporting

Criteria – A deficiency in internal control over financial reporting 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 of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the financial statements.

Condition – Material amounts of expenditures and revenues were not properly recorded in the financial statements. Adjustments were subsequently made to properly include these amounts in the financial statements.

Cause – Policies do not require and procedures have not been established to require independent review of year end cut-off and other transactions to ensure the financial statements are accurate and reliable.

Effect – Lack of policies and procedures resulted in employees not detecting the errors in the normal course of performing their assigned functions. As a result, material adjustments to the financial statements were necessary.

Recommendation – HIRTA should establish procedures to ensure all revenues and expenditures are identified and properly reported in the financial statements.

Response – We will add the following end of fiscal year procedures to HIRTA’s accounting policies.

There are specific rules regarding accounting cutoffs under U.S. Generally Accepted Accounting Principles (GAAP). HIRTA staff will adhere to strict observance of these rules. This means revenues and expenses must be matched to the periods in which they were earned and incurred. The end of the period serves as a “cutoff” for recognizing revenues and expenses.

- 1) The Executive Director will review and sign off on all year-end journal entries. They will be filed for audit trail purposes.
- 2) At the end of each fiscal year, the Executive Director will review all Statement of Financial Position (balance sheet) accounts including verification of the following balances: cash accounts match the bank reconciliations, capital asset accounts reflect all purchases, accounts receivable and payment accounts match outstanding amounts due and owed.
- 3) The revenue and expenditure accounts review will include a reconciliation to amounts received and expended.

Conclusion – Response accepted.

Heart of Iowa Regional Transit Agency
Schedule of Findings and Questioned Costs
Year ended June 30, 2020

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Heart of Iowa Regional Transit Agency
Schedule of Findings and Questioned Costs
Year ended June 30, 2020

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 compliance for the major program were noted.

Heart of Iowa Regional Transit Agency
Schedule of Findings and Questioned Costs
Year ended June 30, 2020

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-20 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.
- IV-B-20 Travel Expense – No expenditures for travel expenses of spouses of Agency officials or employees were noted.
- IV-C-20 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.
- IV-D-20 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

Summaries of the minutes were not published timely for seven of twelve minutes tested, did not include the schedule of bills allowed, and salaries were not published annually. Chapter 28E.6(3)(a) of the Code of Iowa requires the Agency to publish a summary of the proceedings of each regular, adjourned or special meeting of the Board, including the schedule of bills allowed. This information is to be published in one newspaper of general circulation within the geographic area served by the Agency. The Agency is required to furnish the summary of the proceedings for publication to the newspaper within 20 days following adjournment of the meeting. The names and gross salaries of persons regularly employed by the entity shall be published annually.

Recommendation – The Agency should publish a summary of minutes in accordance with Chapter 28E.6(3)(a) of the Code of Iowa, including the schedule of bills allowed. The Agency should also publish salaries annually.

Response – This has been noted and we understand now that we need to publish un-approved minutes to meet the 20-day requirement. This process has started and there will be a noticeable improvement in the fiscal year 2021 audit.

Conclusion – Response accepted.

- IV-E-20 Budgets – The following expenditure line items went over budget: rent and insurance, office supplies, travel and meetings, equipment, vehicle maintenance, advertising, dues and miscellaneous.

Recommendation – Policies and procedures should be established for the Board to review the budget monthly and make an amendment if needed.

Response – We will add the following procedures to HIRTA’s accounting policies.

The Executive Director is responsible for monitoring the budget and determining if a budget amendment is necessary.

Heart of Iowa Regional Transit Agency
Schedule of Findings and Questioned Costs
Year ended June 30, 2020

When to initiate a budget amendment:

- 1) Funds need to be transferred from one line item to another line item.
- 2) Budget needs to increase or decrease in total.
- 3) A new service or capital project is established.
- 4) A new service or capital project's budget line item needs to be increased or decreased.
- 5) Additional revenues received that are anticipated to be used to fund current operations.

Conclusion – Response accepted.

Heart of Iowa Regional Transit Agency

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Deputy
Tammy A. Hollingsworth, CIA, Manager
Premnarayan Gobin, Senior Auditor
Brad M. Hofer, Assistant Auditor