**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


NEWS RELEASE

| | | |
|---|---|---|
| | | Contact: Ernest Ruben |
| FOR RELEASE | March 24, 2023 | 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, 2022.

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 $5,204,322 for the year ended June 30, 2022, a 15.9% increase over the prior year. Expenses for Agency operations for the year ended June 30, 2022 totaled $3,594,502 a 50.8% increase over the prior year. The increase in the revenues and expenses is due to the receipt of funding from the U.S. Department of Transportation for the Intelligent Transportation System (IT4US) deployment program and related project costs.

**AUDIT FINDINGS:**

Sand reported two findings related to the receipt and expenditure of taxpayer funds. They are found on pages 52 through 55 of this report. The findings address issues such as lack of timely publication of minutes and disbursements exceeding budgeted amounts. Sand provided the Agency with recommendations to address each of these findings.

The two 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 Audit Reports – Auditor of State.

# # #

**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, 2022**

**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

February 24, 2023

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, 2022. 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,

Rob Sand
Auditor of State

Table of Contents

**Heart of Iowa Regional Transit Agency**

**Officials**

| Name | Title | Representing |
|---|---|---|
| **Board of Directors** | | |
| Phil Clifton | Chairperson | Madison County |
| Lisa Heddens | Vice Chairperson | Story County |
| Bill Zinnel | Treasurer | Boone County |
| Kim Chapman | Member | Dallas County |
| Doug Cupples | Member | Jasper County |
| Mark Snell | Member | Warren County |
| Steve McCombs | Member | Marion County |
| **Agency** | | |
| Julia Castillo | Executive Director | |
| **Iowa Department of Transportation** | | |
| Kristin Haar | 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

Officials of the Heart of Iowa Regional Transit Agency:

## Report on the Audit of the Financial Statement

### Opinion

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, 2022 and the related Notes to Financial Statement, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion, the financial statement referred to above presents 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, 2022, and the respective changes in financial position in accordance with U.S. generally accepted accounting principles.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the Unites States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of the Heart of Iowa Regional Transit Agency, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statement

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Heart of Iowa Regional Transit Agency's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Heart of Iowa Regional Transit Agency's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Heart of Iowa Regional Transit Agency's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the Agency's Proportionate Share of the Net Pension Liability (Asset), the Schedule of Agency Contributions and the Schedule of Changes in the Agency's Total OPEB Liability, Related Rations and Notes on pages 8 through 11 and 34 through 41 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic 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 comprises Heart of Iowa Regional Transit Agency's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2021 (which are not presented herein) and expressed unmodified opinions on those 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 basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information in Schedule 1 is fairly stated, in all material respects, in relation to the basic 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 February 24, 2023 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 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.

Ernest H. Ruben, Jr., CPA
Deputy Auditor of State

February 24, 2023

## 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, 2022 and is provided for consideration in conjunction with the Agency's financial statements, which follow.

**2022 FINANCIAL HIGHLIGHTS**

- The Agency received $3,876,871 during the fiscal year from a combination of federal, state, and other operating and capital grants, an increase of 21.6%, or approximately $689,000, compared to the previous fiscal year. The increase is due primarily to receiving funding for the Intelligent Transportation System (IT4US) deployment program in fiscal year 2022.

- Expenses increased 50.8%, or approximately $1,211,000, over the prior fiscal year due to the increase in project costs for the IT4US deployment program.

- The Agency's net position at June 30, 2022 increased 52.6%, or $1,610,000, from June 30, 2021 to June 30, 2022.

**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

*Government-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.

*Fund Financial Statements*

Governmental funds account for most of the Agency's basic services. These focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund and 2) the Special Revenue, Heart of Iowa Fund. The funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the Agency's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Agency's programs.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

## GOVERNMENT-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, 2022 | June 30, 2021 |
|---|---|---|
| Current and other assets | $ 4,045,937 | 2,614,627 |
| Capital assets | 1,857,980 | 1,793,427 |
| Total assets | 5,903,917 | 4,408,054 |
| Deferred outflows of resources | 188,994 | 351,396 |
| Long-term liabilities | 215,266 | 1,328,294 |
| Other liabilities | 59,702 | 70,777 |
| Total liabilities | 274,968 | 1,399,071 |
| Deferred inflows of resources | 1,148,276 | 300,532 |
| Net position: | | |
| Net investment in capital assets | 1,707,471 | 1,793,427 |
| Restricted | 54,244 | 38,314 |
| Unrestricted | 2,907,952 | 1,228,106 |
| Total net position | $ 4,669,667 | 3,059,847 |

The net position of the Agency increased 52.6% (from $3,059,847 to $4,669,667) during the year. This increase is primarily due to the IT4US deployment project grant funding received.

Change in Net Position of Governmental Activities

| | Year ended June 30, 2022 | Year ended June 30, 2021 |
|---|---|---|
| Revenues: | | |
| Program revenues: | | |
| Charges for service | $ 938,234 | 898,047 |
| Operating grants, contributions and restricted interest | 3,711,565 | 2,255,774 |
| Capital grants, contributions and restricted interest | 165,306 | 931,877 |
| General revenues: | | |
| Fuel tax refund | 16,442 | 15,199 |
| Unrestricted investment earnings | 2,331 | 971 |
| Miscellaneous | 370,444 | 389,278 |
| Total revenues | 5,204,322 | 4,491,146 |
| Program expenses: | | |
| Administration | 3,239,903 | 2,070,568 |
| Unallocated depreciation | 354,599 | 312,813 |
| Total expenses | 3,594,502 | 2,383,381 |
| Change in net position | 1,609,820 | 2,107,765 |
| Net position beginning of year | 3,059,847 | 952,082 |
| Net position end of year | $ 4,669,667 | 3,059,847 |

In fiscal year 2022, the Agency's total revenues increased $713,176, or 15.9%, over fiscal year 2021. The increase was primarily due to the IT4US deployment project grant funding received.

In fiscal year 2022, the Agency's total expenses increased $1,211,121, or 50.8%, over fiscal year 2021. The increase was primarily the result of an increase in project costs for the IT4US deployment program.

**INDIVIDUAL MAJOR FUND ANALYSIS**

As HIRTA completed the year, its governmental funds reported a combined fund balance of $3,949,686, an increase of $1,444,288 over last year's total of $2,505,398. The following are major reasons for the changes in fund balances of the major fund over the prior year:

General Fund revenues increased approximately $848,000, or 19.1%, over the prior year. General Fund expenditures increased approximately $1,056,000, or 37.7%, over the prior year, primarily due to a IT4US deployment project grant funding received and expenses relating to the IT4US deployment project.

**BUDGETARY HIGHLIGHTS**

As shown in the Budgetary Comparison Schedule, actual revenues exceeded budgeted revenues by $544,495, a variance of 11.5% from the final amended budget. Actual expenditures exceeded budgeted expenditures by $439,496, a variance of 12.9% from the final amended budget.

**CAPITAL ASSETS AND DEBT**

**Capital Assets**

At June 30, 2022, the Agency had $1,857,980 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, 2022, the Agency had $150,509 of long-term debt outstanding, compared to no long term debt in the prior year. Additional information about the Agency's long-term debt is presented in Note 4 to the financial statements.

**NEXT YEAR'S BUDGET**

Budgeted revenues and expenditures increased 47.00% and 53.78%, respectively, for fiscal year 2023 from the final budgeted fiscal year 2022 revenues and expenses.

**CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our local governments 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, 2022

| | | Statement of Net Position |
|---|---|---|
| **Assets** | | |
| Cash and investments | $ | 3,174,772 |
| Accounts receivable | | 871,165 |
| Capital assets, net of accumulated depreciation/amortization of $2,984,250 | | 1,857,980 |
| Total assets | | 5,903,917 |
| **Deferred Outflows of Resources** | | |
| Pension related deferred outflows of resources | | 188,687 |
| OPEB related deferred outflows of resources | | 307 |
| Total deferred outflows of resources | | 188,994 |
| Total assets and deferred outflows of resources | | 6,092,911 |
| **Liabilities** | | |
| Accounts payable | | 59,702 |
| Long-term liabilities: | | |
| Portion due or payable within one year: | | |
| Compensated absences | | 32,901 |
| OPEB liability | | 464 |
| Lease agreements | | 78,458 |
| Portion due or payable after one year: | | |
| Net pension liability | | 13,930 |
| OPEB liability | | 17,462 |
| Lease agreements | | 72,051 |
| Total liabilities | | 274,968 |
| **Deferred Inflows of Resources** | | |
| Pension related deferred inflows of resources | | 1,138,971 |
| OPEB related deferred inflows of resources | | 9,305 |
| Total deferred inflows of resources | | 1,148,276 |
| **Net Position** | | |
| Net investment in capital assets | | 1,707,471 |
| Restricted | | 54,244 |
| Unrestricted | | 2,907,952 |
| Total net position | $ | 4,669,667 |

See notes to financial statements.

# Heart of Iowa Regional Transit Agency

## Statement of Activities

## June 30, 2022

| | | Program Revenues | | | |
|---|---|---|---|---|---|
| | Expenses | Charges for Service | Operating Grants, Contributions and Restricted Interest | Capital Grants, Contributions and Restricted Interest | Net (Expense) Revenue and Changes in Net Position |
| **Functions/Programs:** | | | | | |
| Governmental activities: | | | | | |
| Administration | $ 3,239,903 | 938,234 | 3,711,565 | 165,306 | 1,575,202 |
| Unallocated depreciation/amortization | 354,599 | - | - | - | (354,599) |
| Total | $ 3,594,502 | 938,234 | 3,711,565 | 165,306 | 1,220,603 |
| **General Revenues:** | | | | | |
| Fuel tax refund | | | | | 16,442 |
| Unrestricted investment earnings | | | | | 2,331 |
| Miscellaneous | | | | | 370,444 |
| Total general revenues | | | | | 389,217 |
| Change in net position | | | | | 1,609,820 |
| Net position beginning of year | | | | | 3,059,847 |
| Net position end of year | | | | | $ 4,669,667 |

See notes to financial statements.

Heart of Iowa Regional Transit Agency

Balance Sheet
Governmental Funds

June 30, 2022

| | General | Nonmajor Special Revenue Heart of Iowa | Total |
|---|---|---|---|
| **Assets** | | | |
| Cash and investments | $ 3,120,528 | 54,244 | 3,174,772 |
| Accounts receivable | 871,165 | - | 871,165 |
| Total assets | 3,991,693 | 54,244 | 4,045,937 |
| **Liabilities** | | | |
| Accounts payable | 59,702 | - | 59,702 |
| **Deferred Inflows of Resources** | | | |
| Unavailable revenue | 36,549 | - | 36,549 |
| **Fund Balance** | | | |
| Unassigned | 3,895,442 | - | 3,895,442 |
| Restricted | - | 54,244 | 54,244 |
| Total fund balance | 3,895,442 | 54,244 | 3,949,686 |
| Total liabilities, deferred inflows of resources and fund balance | $ 3,991,693 | 54,244 | 4,045,937 |

See notes to financial statements.

Heart of Iowa Regional Transit Agency

Statement of Revenues, Expenditures and Changes in Fund Balance

Year ended June 30, 2022

| | General | Nonmajor Special Revenue Heart of Iowa | Total |
|---|---|---|---|
| Revenues: | | | |
| Federal grants and contracts | $ 3,441,042 | - | 3,441,042 |
| State grants | 718,435 | - | 718,435 |
| Passenger revenue | 138,056 | - | 138,056 |
| Contract revenue | 494,200 | - | 494,200 |
| Interest income | 2,301 | 30 | 2,331 |
| Insurance reimbursement | 13,188 | - | 13,188 |
| Fuel tax refund | 16,442 | - | 16,442 |
| Miscellaneous | 355,929 | 26,602 | 382,531 |
| Total revenues | 5,179,593 | 26,632 | 5,206,225 |
| Expenditures: | | | |
| Salaries and benefits | 1,291,720 | - | 1,291,720 |
| Professional services | 1,273,427 | - | 1,273,427 |
| Telephone | 25,699 | - | 25,699 |
| Rent and insurance | 498,045 | - | 498,045 |
| Office supplies | 21,604 | - | 21,604 |
| Travel and meetings | 40,524 | - | 40,524 |
| Equipment | 234,919 | - | 234,919 |
| Vehicle maintenance | 361,120 | - | 361,120 |
| Advertising | 45,549 | - | 45,549 |
| Dues | 6,241 | - | 6,241 |
| Miscellaneous | 58,544 | 10,702 | 69,246 |
| Total expenditures | 3,857,392 | 10,702 | 3,868,094 |
| Excess of revenues over expenditures | 1,322,201 | 15,930 | 1,338,131 |
| Other financing sources: | | | |
| Lease agreements | 106,157 | - | 106,157 |
| Change in fund balances | 1,428,358 | 15,930 | 1,444,288 |
| Fund balances beginning of year | 2,467,084 | 38,314 | 2,505,398 |
| Fund balances end of year | $ 3,895,442 | 54,244 | 3,949,686 |

See notes to financial statements.

## (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 persons 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 charges 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 (except for intangible right-to-use lease assets, the measurement of which is discussed under "Leases" below.) Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. 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 |
| Right-to-use leased asset | 5,000 |

Capital assets and right-to-use leased assets of the Agency are depreciated/amortized using the straight line method over the following estimated useful lives:

| Asset Class | Estimated Useful Lives (In Years) |
|---|---|
| Equipment | 5 - 10 |
| Vehicles | 10 |
| Right-to-use leased assets | 2 - 10 |

F. Leases – Agency as Lessee: Heart of Iowa Regional Transit Agency is the lessee for a noncancellable lease of office space. The Agency has recognized a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The Agency recognizes lease liabilities with an initial, individual value of $5,000 or more.

At the commencement of a lease, the Agency initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how Heart of Iowa Regional Transit Agency determines the discount rate it uses to discount the expected lease payments to present value, lease term and lease payments.

Heart of Iowa Regional Transit Agency uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Agency generally uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and a purchase option price that the Agency is reasonably certain to exercise.

The Agency monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

G. 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 and OPEB expense and contributions from the Agency after the measurement date but before the end of the Agency's reporting period.

H. 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, 2022.

I. 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. The net pension liability attributable to the governmental activities will be paid by the General Fund.

J. Total OPEB Liability

For purposes of measuring the total OPEB liability, deferred outflows of resources and 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.

K. 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.

L. 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, 2022 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, 2022 was as follows:

| | Balance Beginning of Year | Increases | Decreases | Balance End of Year |
|---|---|---|---|---|
| Capital assets being depreciated: | | | | |
| Vehicles | $ 4,382,606 | 201,687 | - | 4,584,293 |
| Equipment | 40,472 | - | - | 40,472 |
| Right-to-use leased buildings | - | 217,465 | - | 217,465 |
| Total | 4,423,078 | 419,152 | - | 4,842,230 |
| Less accumulated depreciation for: | | | | |
| Vehicles | 2,612,674 | 280,888 | - | 2,893,562 |
| Equipment | 16,977 | 3,435 | - | 20,412 |
| Right-to-use leased buildings | - | 70,276 | | 70,276 |
| Total | 2,629,651 | 354,599 | - | 2,984,250 |
| Capital assets, net | $ 1,793,427 | 64,553 | - | 1,857,980 |

## (4) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2022 is as follows:

| | Lease Agreements | Compensated Absences | Net Pension Liability | Total OPEB Liability | Total |
|---|---|---|---|---|---|
| Balance beginning of year | $ - | 28,933 | 1,283,311 | 16,050 | 1,328,294 |
| Increases | 217,465 | 3,968 | - | 2,340 | 223,773 |
| Decreases | 66,956 | - | 1,269,381 | 464 | 1,336,801 |
| Balance end of year | $ 150,509 | 32,901 | 13,930 | 17,926 | 215,266 |
| Due within one year | $ 78,458 | 32,901 | - | 464 | 111,823 |

Lease Agreements

On July 1, 2021, the Agency entered into a lease agreement for office facilities in Ames, Iowa. An initial lease liability was recorded in the amount of $111,308. The agreement required monthly payments of $2,400 from July 1, 2021 through June 30, 2022. The monthly payments increase to $2,520 from July 1, 2022 to the end of the lease. The lease has an implicit rate of 3.5% and final payment is due June 1, 2025. During the year ended June 30, 2022, the Agency paid principal of $25,308 and interest of $3,492.

On August 1, 2021, the Agency entered into a lease agreement for office facilities in Urbandale, Iowa. An initial lease liability was recorded in the amount of $89,607. The agreement requires monthly payments of $3,871, with an implicit rate of 3.5% and final payment is due July 31, 2024. During the year ended June 30, 2022, the Agency paid principal of $40,293 and interest of $2,291.

On April 1, 2022, the Agency entered into a lease agreement for office facilities in Newton, Iowa. An initial lease liability was recorded in the amount of $16,550. The agreement requires monthly payments of $487, with an implicit rate of 4.0% and final payment is due March 1, 2025. During the year ended June 30, 2022, the Agency paid principal of $1,355 and interest of $106.

Future principal and interest lease payments as of June 30, 2022 are as follows:

| Year ending June 30, | Office Facilities - Ames | | | Office Facilities - Newton | | |
|---|---|---|---|---|---|---|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2023 | $ 27,671 | 2,569 | 30,240 | $ 5,333 | 511 | 5,844 |
| 2024 | 28,655 | 1,585 | 30,240 | 5,551 | 293 | 5,844 |
| 2025 | 29,674 | 566 | 30,240 | 4,311 | 72 | 4,383 |
| Total | $ 86,000 | 4,720 | 90,720 | $ 15,195 | 876 | 16,071 |

| Year ending June 30, | Office Facilities - Urbandale | | | Total | | |
|---|---|---|---|---|---|---|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2023 | $ 45,454 | 1,001 | 46,455 | $ 78,458 | 4,081 | 82,539 |
| 2024 | 3,860 | 11 | 3,871 | 38,066 | 1,889 | 39,955 |
| 2025 | - | - | - | 33,985 | 638 | 34,623 |
| Total | $ 49,314 | 1,012 | 50,326 | $150,509 | 6,608 | 157,117 |

## (5) 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 2022, 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, 2022 were $93,526.

Net Pension Liability, Pension Expense (Reduction), Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2022, the Agency reported a liability of $13,930 for its proportionate share of the overall plan net pension asset. The overall plan net pension asset was measured as of June 30, 2021. The total plan pension liability used in its calculation of the overall plan net pension asset was determined by an actuarial valuation as of that date. The Agency's proportion of the overall plan net pension asset was based on the Agency's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2021, the Agency's proportion was (0.004035)%, which was a decrease of 0.022303% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the Agency recognized pension expense (reduction) of $48,433. At June 30, 2022, 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 | $ 10,599 | 10,642 |
| Changes of assumptions | 9,112 | - |
| Net difference between projected and actual earnings on IPERS' investments | - | 504,722 |
| Changes in proportion and differences between Agency contributions and the Agency's proportionate share of contributions | 75,450 | 623,607 |
| Agency contributions subsequent to the measurement date | 93,526 | - |
| Total | $ 188,687 | 1,138,971 |

$93,526 reported as deferred outflows 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 (asset) in the year ending June 30, 2023. 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 |
|---|---|
| 2023 | $ (229,134) |
| 2024 | (267,981) |
| 2025 | (258,802) |
| 2026 | (250,658) |
| 2027 | (37,235) |
| Total | $ (1,043,810) |

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability (asset) in the June 30, 2021 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, 2021 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 2021 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 geometric real rates of return for each major asset class are summarized in the following table:

| Asset Class | Asset Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Domestic equity | 22.0% | 4.43% |
| International equity | 17.5 | 6.01 |
| Global smart beta equity | 6.0 | 5.10 |
| Core plus fixed income | 26.0 | 0.29 |
| Public credit | 4.0 | 2.08 |
| Cash | 1.0 | (0.25) |
| Private equity | 13.0 | 9.51 |
| Private real assets | 7.5 | 4.63 |
| Private credit | 3.0 | 2.87 |
| Total | 100.0% | |

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 (Asset) to Changes in the Discount Rate – The following presents the Agency's proportionate share of the net pension liability (asset) 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 | $ 493,043 | 13,930 | (387,596) |

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, 2022.

## (6) 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, 2022, the following employees were covered by the benefit terms:

| | |
|---|---:|
| Inactive employees or beneficiaries currently receiving benefit payments | - |
| Active employees | 12 |
| | 12 |

Total OPEB Liability – HIRTA's total OPEB liability of $17,926 was measured as of June 30, 2022 and was determined by an actuarial valuation date of July 1, 2020, rolled forward to June 30, 2022.

Actuarial Assumptions – The total OPEB liability in the June 30, 2022 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 July 1, 2021) | 2.60% per annum. |
| Rates of salary increase (effective July 1, 2021) | 3.25% per annum, including inflation. |
| Discount rate (effective June 30, 2021) | 2.16% compounded annually, including inflation. |
| Healthcare cost trend rate (effective July 1, 2020) | 8.00% initial rate decreasing annually to an ultimate rate of 4.14%. |

Discount Rate – The discount rate used to measure the total OPEB liability was 2.16% 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 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

| | Total OPEB Liability |
|---|---|
| Total OPEB liability beginning of year | $ 16,050 |
| Changes for the year: | |
| Service cost | 1,956 |
| Interest | 384 |
| Benefit payments | (464) |
| Net changes | 1,876 |
| Total OPEB liability end of year | $ 17,926 |

Changes of assumptions reflects no change in the discount rate from 2.16% in fiscal year 2021.

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 (1.16%) or 1% higher (3.16%) than the current discount rate.

| | 1% Decrease (1.16%) | Discount Rate (2.16%) | 1% Increase (3.16%) |
|---|---|---|---|
| Total OPEB liability | $ 19,420 | 17,926 | 16,554 |

Sensitivity of the Agency'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 it were calculated using healthcare cost trend rates that are 1% lower (7.00%) or 1% higher (9.00%) than the current healthcare cost trend rates.

| | 1% Decrease (7.00%) | Healthcare Cost Trend Rate (8.00%) | 1% Increase (9.00%) |
|---|---|---|---|
| Total OPEB liability | $ 15,528 | 17,926 | 20,922 |

OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2022, HIRTA recognized OPEB expense of $665. At June 30, 2022, HIRTA reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ - | 8,141 |
| Changes in assumptions | 307 | 1,164 |
| Total | $ 307 | 9,305 |

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

| Year ending June 30, | Amount |
|---|---|
| 2023 | $ (1,675) |
| 2024 | (1,675) |
| 2025 | (1,675) |
| 2026 | (1,748) |
| 2027 | (1,770) |
| Thereafter | (455) |
| | $ (8,998) |

**(7) 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 794 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, employment practices liability, 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, 2022 were $204,403.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, employment practices, 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, 2022, no liability has been recorded in the Agency's financial statements. As of June 30, 2022, 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 and 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.

## (8) Explanation of the Differences between the Governmental Fund Balance Sheet and the Statement of Net Position

| | | |
|---|---|---|
| Total fund balance - Governmental Funds | | $ 3,949,686 |
| 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 $4,842,230 and the accumulated depreciation is $2,984,250. | | 1,857,980 |
| Other long-term assets are not available to pay current expenditure and, therefore, are recognized as deferred inflows of resources in the governmental funds. | | 36,549 |
| 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 | $ 188,994 | |
| Deferred inflows of resources | (1,148,276) | (959,282) |
| Long term liabilities including lease agreements payable, compensated absences, net pension liability and total OPEB liability are not due and payable in the current year and, therefore, are not reported as governmental fund liabilities, as follows: | | |
| Lease agreements | (150,509) | |
| Compensated absences | (32,901) | |
| Total OPEB liability | (17,926) | |
| Net pension liability | (13,930) | (215,266) |
| Net position of governmental activities | | $ 4,669,667 |

## (9) 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 | | $ 1,444,288 |
| 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 and right-to-use assets exceeded depreciation expense in the current year, as follows: | | |
| Expenditures for capital assets | $ 201,687 | |
| Right-to-use leased capital assets | 217,465 | |
| Depreciation/amortization expense | (354,599) | 64,553 |
| 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. | | (1,903) |
| Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year issuances exceeded repayments, as follows: | | |
| Issued | (217,465) | |
| Repaid | 66,956 | (150,509) |
| 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. | | 93,526 |
| 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 | (3,968) | |
| OPEB expense | (201) | |
| Pension expense | 164,034 | 159,865 |
| Change in net position of governmental activities | | $ 1,609,820 |

## (10) Prospective Accounting Change

Governmental Accounting Standards Board has issued Statement No. 96, Subscription-Based Information Technology Arrangements. The statement will be implemented for the fiscal year ending June 30, 2023. The revised requirements of this statement will require reporting of the right to use another party's information technology software alone or in combination with the tangible capital assets that are not currently reported.

## 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, 2022

| | Actual | Budgeted Amount Original | Budgeted Amount Final | Favorable (Unfavorable) Variance |
|---|---|---|---|---|
| Revenues: | | | | |
| Federal sources | $ 3,441,042 | 3,007,228 | 2,070,338 | 1,370,704 |
| State sources | 734,877 | 665,905 | 706,008 | 28,869 |
| Local sources | 494,200 | 363,262 | 486,908 | 7,292 |
| Miscellaneous | 509,474 | 1,650,534 | 1,478,001 | (968,527) |
| Total revenues | 5,179,593 | 5,686,929 | 4,741,255 | 438,338 |
| Expenditures: | | | | |
| Administration: | | | | |
| Salaries and benefits | 1,291,720 | 1,325,467 | 1,286,059 | (5,661) |
| Professional services | 1,273,427 | 223,030 | 157,977 | (1,115,450) |
| Telephone | 25,699 | 25,200 | 25,200 | (499) |
| Rent and insurance | 498,045 | 453,575 | 382,196 | (115,849) |
| Office supplies | 21,604 | 27,000 | 23,650 | 2,046 |
| Travel and meetings | 40,524 | 32,250 | 33,765 | (6,759) |
| Equipment | 234,919 | 827,300 | 234,787 | (132) |
| Vehicle maintenance | 361,120 | 418,780 | 358,000 | (3,120) |
| Advertising | 45,549 | 11,000 | 49,450 | 3,901 |
| Dues | 6,241 | 7,200 | 6,200 | (41) |
| Miscellaneous | 58,544 | 1,014,011 | 860,612 | 802,068 |
| Total expenditures | 3,857,392 | 4,364,813 | 3,417,896 | (439,496) |
| Other financing sources | 106,157 | - | - | 106,157 |
| Change in balances | 1,428,358 | 1,322,116 | 1,323,359 | 104,999 |
| Fund balance beginning of year | 2,467,084 | 1,157,842 | 2,493,602 | (26,518) |
| Fund balance end of year | $ 3,895,442 | 2,479,958 | 3,816,961 | 78,481 |

See accompanying independent auditor's report.

## Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2022

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 the 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, 2022.

Heart of Iowa Regional Transit Agency

Schedule of the Agency's Proportionate Share of the Net Pension Liability (Asset)

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

Required Supplementary Information

| | 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|
| Agency's proportion of the net pension liability/asset | (0.004035)% ** | 0.018268% | 0.021051% | 0.024103% |
| Agency's proportionate share of the net pension liability (asset) | $ 14 | 1,283 | 1,219 | 1,525 |
| Agency's covered payroll | $ 805 | 1,450 | 1,604 | 1,801 |
| Agency's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 1.74% | 88.48% | 76.00% | 84.68% |
| IPERS' net position as a percentage of the total pension liability (asset) | 100.81% | 82.90% | 85.45% | 83.62% |

* 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.

** Overall plan net pension asset

See accompanying independent auditor's report.

| | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|
| | 0.018304% | 0.019731% | 0.019680% | 0.016845% |
| | 1,219 | 1,242 | 972 | 668 |
| | 1,389 | 1,423 | 1,368 | 1,115 |
| | 87.76% | 87.28% | 71.05% | 59.91% |
| | 82.21% | 81.82% | 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

| | | 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|---|
| Statutorily required contribution | $ | 94 | 76 | 137 | 151 |
| Contributions in relation to the statutorily required contribution | | (94) | (76) | (137) | (151) |
| Contribution deficiency (excess) | $ | - | - | - | - |
| Agency's covered payroll | $ | 998 | 805 | 1,450 | 1,604 |
| Contributions as a percentage of covered payroll | | 9.44% | 9.44% | 9.44% | 9.44% |

See accompanying independent auditor's report.

| 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
| --- | --- | --- | --- | --- | --- |
| 161 | 124 | 127 | 122 | 98 | 77 |
| (161) | (124) | (127) | (122) | (98) | (77) |
| - | - | - | - | - | - |
| 1,801 | 1,389 | 1,423 | 1,368 | 1,115 | 883 |
| 8.93% | 8.93% | 8.93% | 8.93% | 8.93% | 8.67% |

*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 Four Years
Required Supplementary Information

| | 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|
| Service cost | $ 1,956 | 1,948 | 4,084 | 4,204 |
| Interest cost | 384 | 336 | 909 | 795 |
| Difference between expected and actual experiences | - | (11,239) | - | - |
| Changes in assumptions | - | (1,606) | - | 687 |
| Benefit payments | (464) | (156) | (198) | (73) |
| Net change in total OPEB liability | 1,876 | (10,717) | 4,795 | 5,613 |
| Total OPEB liability beginning of year | 16,050 | 26,767 | 21,972 | 16,359 |
| Total OPEB liability end of year | $ 17,926 | 16,050 | 26,767 | 21,972 |
| Covered-employee payroll | $ 398,645 | 418,159 | 696,982 | 750,799 |
| Total OPEB liability as a percentage of covered-employee payroll | 4.5% | 3.8% | 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**

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

*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, 2022 | 2.16% |
| Year ended June 30, 2021 | 2.16% |
| 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, 2022

| Grantor/ Program | Assistance Listing Number | Pass-Through Entity Identifying Number | Program Expenditures | |
|---|---|---|---|---|
| U.S. Department of Transportation: | | | | |
| Passed through Iowa Department of Transportation: | | | | |
| Formula Grants for Rural Areas | 20.509 | 2019-024-01-FY21 | $ 393,754 | |
| Formula Grants for Rural Areas | 20.509 | 2019-024-02-SFY22 | 556,571 | |
| Formula Grants for Rural Areas | 20.509 | 2016-031-01-110-17 | 55,102 | |
| Formula Grants for Rural Areas | 20.509 | 2019-002-00-110-FY18 | 55,102 | |
| Formula Grants for Rural Areas | 20.509 | 2021-015-00-FY21 | 853,775 | |
| Formula Grants for Rural Areas | 20.509 | TFR22 | 29,546 | |
| | | | 1,943,850 | |
| Passed through Iowa Department of Transportation: | | | | |
| Transit Services Programs Cluster: | | | | |
| Enhanced Mobility of Seniors and Individuals with with Disabilities | 20.513 | 2021-003-00-FFY20 | 40,257 | * |
| Passed through National Aging and Disability Transportation Center/Easterseals: | | | | |
| Transit Services Programs Cluster: | | | | |
| Enhanced Mobility of Seniors and Individuals with with Disabilities | 20.513 | IL-202106-00 | 4,343 | * |
| Passed through Iowa Department of Transportation: | | | | |
| Federal Transit Cluster: | | | | |
| Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs | 20.526 | 2019-008-00-110-FY18 | 55,102 | |
| Total U.S. Department of Transportation | | | 2,043,552 | |
| U.S. Department of Health and Human Services: | | | | |
| Passed through 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 | 262,060 | |
| Total U.S. Department of Health and Human Services | | | 262,060 | |
| Corporation for National and Community Services: | | | | |
| AmeriCorps Seniors Retired and Senior Volunteer Program (RSVP) | 94.002 | 21SREIA005 | 78,606 | |
| AmeriCorps Seniors Retired and Senior Volunteer Program (RSVP) | 94.002 | 21SREIA006 | 75,523 | |
| Total Corporation for National and Community Services | | | 154,129 | |
| Total | | | $ 2,459,741 | |

* Total Transit Services Programs Cluster $44,600.

**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, 2022. 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 a Financial Statement Performed in Accordance with Government Auditing Standards

Officials of the Heart of Iowa Regional Transit Agency:

We have audited in accordance with auditing standards generally accepted in the United States of America 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, 2022, and the related Notes to Financial Statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated February 24, 2023.

Report on Internal Control Over Financial Reporting

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

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 that a material misstatement of the Agency's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Heart of Iowa Regional Transit Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 noncompliance or other matters which are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part IV of 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, 2022 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.

Heart of Iowa Regional Transit Agency's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Heart of Iowa Regional Transit Agency's responses to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. Heart of Iowa Regional Transit Agency's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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 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.

Ernest H. Ruben, Jr., CPA
Deputy Auditor of State

February 24, 2023

**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 on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance

Officials of the Heart of Iowa Regional Transit Agency:

### Report on Compliance for Each Major Federal Program

### Opinion on Each Major Federal Program

We have audited the Heart of Iowa Regional Transit Agency's compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on the Heart of Iowa Regional Transit Agency's major federal program for the year ended June 30, 2022. Heart of Iowa Regional Transit Agency's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, Heart of Iowa Regional Transit Agency complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2022.

### Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the audit 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Heart of Iowa Regional Transit Agency and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Heart of Iowa Regional Transit Agency's compliance with the compliance requirements referred to above.

### Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Heart of Iowa Regional Transit Agency's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Heart of Iowa Regional Transit Agency's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, Government Auditing Standards and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence judgement made by a reasonable user of the report on compliance about Heart of Iowa Regional Transit Agency's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Heart of Iowa Regional Transit Agency's compliance with the compliance requirements referred to above and performing other such procedures as we considered necessary in the circumstances.

- Obtain an understanding of Heart of Iowa Regional Transit Agency's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Heart of Iowa Regional Transit Agency's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance we identified during the audit.

Report on 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 that 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Ernest H. Ruben, Jr., CPA
Deputy Auditor of State

February 24, 2023

Heart of Iowa Regional Transit Agency

Schedule of Findings and Questioned Costs

Year ended June 30, 2022

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

(a) Unmodified opinions were issued on the financial statements which were prepared in accordance with U.S. generally accepted accounting principles.

(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 in internal control over compliance for the major programs were noted.

(e) An unmodified opinion was issued on compliance with requirements applicable to the major programs.

(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 Assistance Listing 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.

**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.

**<u>Part III: Findings and Questioned Costs for Federal Awards</u>:**

**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.

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

2022-A 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.

2022-B Travel Expense – No expenditures for travel expenses of spouses of Agency officials or employees were noted.

2022-C 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.

2022-D 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 two of twelve minutes tested and did not include the schedule of bills allowed for four of twelve minutes tested. 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.

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.

Response – The four minutes that were not published were done before the fiscal year 2021 audit was complete. All the minutes in fiscal year 2022 after we learned we did not get them all published at the last audit, were published within the 20 days following adjournment for Board meeting.

Conclusion – Response accepted.

2022-E Budgets – The following expenditure line items went over budget: salaries and benefits, professional services, telephone, rent and insurance, travel and meetings, equipment, vehicle maintenance and dues.

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

Response – The HIRTA Board reviews, receives and files the financials each month. Within the financial packet is the Profit & Loss vs Actual so the Board can see what is spent vs what was budgeted. Often these items are noted on the financials, or a Board member will question at the meeting. If neither occurs, then the Board was not concerned about the overage. A policy will be written to be approved by the Board in February 2023 to specify when a budget amendment should be done and approved.

Conclusion – Response accepted.

Heart of Iowa Regional Transit Agency

Staff

This audit was performed by:

Ernest H. Ruben, Jr., CPA, Deputy
Tammy A. Hollingsworth, CIA, Manager
Prem Gobin, Senior Auditor II
Nolen R. Schultz, Staff Auditor