



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

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Auditor of State

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Des Moines, Iowa 50319-0006  
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**NEWS RELEASE**

Contact: Brian Brustkern  
515/281-5834

FOR RELEASE

March 26, 2025

Auditor of State Rob Sand today released an audit report on the Heart of Iowa Regional Transit Agency for the year ended June 30, 2024.

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 had total receipts of \$5,466,387 for the year ended June 30, 2024, a 14.4% increase. Disbursements for the year ended June 30, 2024 totaled \$5,044,043, a 19.9% increase. The significant increase in receipts is due primarily to federal funding received for the Intelligent Transportation System (IT4US) and the Bus and Bus Facilities programs. The significant increase in disbursements is due to an increase in administrative expenses related to wages and benefits for additional drivers, professional services and vehicle maintenance expenses.

**AUDIT FINDINGS:**

Sand reported three findings related to the receipt and expenditure of taxpayer funds. They are found on pages 55 through 59 of this report. The findings address issues such as lack of timely publication of minutes and reporting of federal grants. Sand provided the Agency with recommendations to address each of these findings.

One of the findings discussed above is 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 website at [Audit Reports – Auditor of State](#).

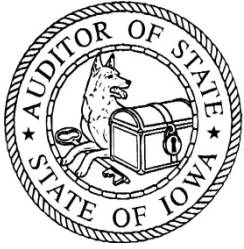
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**HEART OF IOWA REGIONAL TRANSIT AGENCY**

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

**JUNE 30, 2024**

**Heart of Iowa Regional Transit Agency**



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

State Capitol Building  
Des Moines, Iowa 50319-0006  
Telephone (515) 281-5834

Rob Sand  
Auditor of State

March 20, 2025

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, 2024. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Rob Sand", written in a cursive style.

Rob Sand  
Auditor of State

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**Heart of Iowa Regional Transit Agency**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Representing</u>
<b>Board of Directors</b>		
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
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**Iowa Department of Transportation**

Kristin Haar	Director of the Office of Public Transit
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**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

Independent Auditor's Report

Officials of the Heart of Iowa Regional Transit Agency:

Report on the Audit of the Financial Statement

Opinions

We have audited 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, 2024 and the related Notes to Financial Statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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, 2024, and the respective changes in financial position in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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 GAAS 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 judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment 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 judgment, 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 Schedule of the Agency's Proportionate Share of the Net Pension Liability, the Schedule of Agency Contributions and the Schedule of Changes in the Agency's Total OPEB Liability, Related Ratios and Notes on pages 8 through 11 and 36 through 44 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 GAAS, 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 comprise 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, 2023 (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 GAAS. 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 March 20, 2025 on our consideration of the Heart of Iowa Regional Transit Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Heart of Iowa Regional Transit Agency's internal control over financial reporting and compliance.



Brian R. Brustkern, CPA  
Deputy Auditor of State

March 20, 2025

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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The Heart of Iowa Regional Transit Agency (Agency) provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the year ended June 30, 2024. We encourage readers to consider this information in conjunction with the Agency's financial statements, which follow.

### **2024 FINANCIAL HIGHLIGHTS**

- The Agency received \$3,690,319 during the fiscal year from a combination of federal, state, and other operating and capital grants, an increase of 13.3%, or approximately \$433,000, compared to the previous fiscal year. The increase is due primarily to receiving more federal funding for the Bus and Bus Facilities program in fiscal year 2024.
- Expenses increased 19.9%, or approximately \$837,000, over the prior fiscal year due to the increase in administrative expenses related to wages and benefits of additional drivers and vehicle maintenance expenses.
- The Agency's net position at June 30, 2024 increased 8.0%, or \$422,344, from June 30, 2023 to June 30, 2024.

### **USING THIS ANNUAL REPORT**

The Heart of Iowa Regional Transit Agency is a 28E organization and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting, which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis is intended to serve as an introduction to the Heart of Iowa Regional Transit Agency's basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic 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 proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Changes in the Agency's Total OPEB Liability, Related Ratios and Notes.

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,	
	2024	2023
Current and other assets	\$ 4,607,528	4,830,160
Capital assets	2,091,766	1,508,193
Total assets	<u>6,699,294</u>	<u>6,338,353</u>
Deferred outflows of resources	452,163	242,180
Long-term liabilities	880,800	588,534
Other liabilities	295,379	221,729
Total liabilities	<u>1,176,179</u>	<u>810,263</u>
Deferred inflows of resources	311,106	528,442
Net position:		
Net investment in capital assets	1,988,593	1,508,193
Restricted	51,520	54,141
Unrestricted	<u>3,624,059</u>	<u>3,679,494</u>
Total net position	<u>\$ 5,664,172</u>	<u>5,241,828</u>

The net position of the Agency increased 8.0% (from \$5,241,828 to \$5,664,172) during the year.

Change in Net Position of Governmental Activities		
	Year ended June 30,	
	2024	2023
Revenues:		
Program revenues:		
Charges for service	\$ 1,131,464	1,013,863
Operating grants, contributions and restricted interest	3,103,683	3,257,144
Capital grants, contributions and restricted interest	586,636	-
General revenues:		
Fuel tax refund	22,438	19,370
Unrestricted investment earnings	100,696	31,354
Miscellaneous	521,470	457,475
Total revenues	<u>5,466,387</u>	<u>4,779,206</u>
Program expenses:		
Administration	4,659,971	3,857,258
Unallocated depreciation/amortization	384,072	349,787
Total expenses	<u>5,044,043</u>	<u>4,207,045</u>
Change in net position	422,344	572,161
Net position beginning of year	<u>5,241,828</u>	<u>4,669,667</u>
Net position end of year	<u>\$ 5,664,172</u>	<u>5,241,828</u>

In fiscal year 2024, the Agency's total revenues increased \$687,000, or 14.38%, over fiscal year 2023. The increase was primarily due to receiving more federal funding for the Bus and Bus Facilities project grant and contract revenue.

In fiscal year 2024, the Agency's total expenses increased \$837,000, or 19.9%, over fiscal year 2023. The increase was primarily the result of an increase in administrative expenses related to wages and benefits of additional drivers and vehicle maintenance expenses.

### **INDIVIDUAL MAJOR FUND ANALYSIS**

As HIRTA completed the year, its governmental funds reported a combined fund balance of \$4,283,740, a decrease of \$291,261 from last year's total of \$4,575,001. The following are major reasons for the changes in fund balances of the major fund over the prior year:

General Fund revenues increased \$679,565, or 14.4%, from the prior year, primarily due to receiving more federal funding for the Bus and Bus Facilities program. General Fund expenditures increased \$1,688,727, or 41.1%, over the prior year, primarily due to an increase in administrative expenses related to wages and benefits of additional drivers, vehicle maintenance expenses and contract services expenses.

### **CAPITAL ASSETS AND DEBT**

#### **Capital Assets**

At June 30, 2024, the Agency had \$2,091,766 invested in vehicles, equipment and right-to-use leased buildings, 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, 2024, the Agency had \$103,173 of long-term debt outstanding, compared to \$72,051 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.

### **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 104<sup>th</sup> 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, 2024

	<u>Statement of Net Position</u>
<b>Assets</b>	
Cash and investments	\$ 3,626,527
Accounts receivable	965,096
Accrued interest	15,905
Capital assets, net of accumulated depreciation/amortization of \$2,944,880	<u>2,091,766</u>
Total assets	<u>6,699,294</u>
<b>Deferred Outflows of Resources</b>	
Pension related deferred outflows of resources	452,046
OPEB related deferred outflows of resources	117
Total deferred outflows of resources	<u>452,163</u>
<b>Liabilities</b>	
Accounts payable	295,379
Long-term liabilities:	
Portion due or payable within one year:	
Lease agreements	70,228
Compensated absences	52,473
Portion due or payable after one year:	
Lease agreements	32,945
Net pension liability	711,878
OPEB liability	13,276
Total liabilities	<u>1,176,179</u>
<b>Deferred Inflows of Resources</b>	
Pension related deferred inflows of resources	299,725
OPEB related deferred inflows of resources	11,381
Total deferred inflows of resources	<u>311,106</u>
<b>Net Position</b>	
Net investment in capital assets	1,988,593
Restricted	51,520
Unrestricted	<u>3,624,059</u>
Total net position	<u>\$ 5,664,172</u>

See notes to financial statements.

Heart of Iowa Regional Transit Agency

Statement of Activities

June 30, 2024

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	
<b>Functions/Programs:</b>				
Governmental activities:				
Administration	\$ 4,659,971	1,131,464	3,103,683	586,636
Unallocated depreciation/amortization	384,072	-	-	-
Total	<u>\$ 5,044,043</u>	<u>1,131,464</u>	<u>3,103,683</u>	<u>586,636</u>
<b>General Revenues:</b>				
Fuel tax refund				22,438
Unrestricted investment earnings				100,696
Miscellaneous				521,470
Total general revenues				<u>644,604</u>
Change in net position				422,344
Net position beginning of year				<u>5,241,828</u>
Net position end of year				<u>\$ 5,664,172</u>

See notes to financial statements.

**Exhibit C**

## Heart of Iowa Regional Transit Agency

Balance Sheet  
Governmental Funds

June 30, 2024

	<u>Nonmajor Special Revenue</u>		
	<u>General</u>	<u>Heart of Iowa</u>	<u>Total</u>
<b>Assets</b>			
Cash and investments	\$ 3,575,007	51,520	3,626,527
Accounts receivable	965,096	-	965,096
Accrued interest	15,905	-	15,905
Total assets	<u>4,556,008</u>	<u>51,520</u>	<u>4,607,528</u>
<b>Liabilities</b>			
Accounts payable	<u>295,379</u>	-	<u>295,379</u>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue	<u>28,409</u>	-	<u>28,409</u>
<b>Fund Balance</b>			
Unassigned	4,232,220	-	4,232,220
Restricted	-	51,520	51,520
Total fund balance	<u>4,232,220</u>	<u>51,520</u>	<u>4,283,740</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 4,556,008</u>	<u>51,520</u>	<u>4,607,528</u>

See notes to financial statements.

Heart of Iowa Regional Transit Agency

Statement of Revenues, Expenditures  
and Changes in Fund Balance

Year ended June 30, 2024

	Nonmajor Special Revenue		
	General	Heart of Iowa	Total
<b>Revenues:</b>			
Federal grants and contracts	\$ 3,656,233	-	3,656,233
State grants	519,744	-	519,744
Passenger revenue	220,527	-	220,527
Contract revenue	294,518	-	294,518
Interest income	100,571	125	100,696
Insurance reimbursement	20,211	-	20,211
Fuel tax refund	22,438	-	22,438
Miscellaneous	576,322	60,719	637,041
Total revenues	<u>5,410,564</u>	<u>60,844</u>	<u>5,471,408</u>
<b>Expenditures:</b>			
Salaries and benefits	1,987,327	-	1,987,327
Professional services	1,279,930	-	1,279,930
Telephone	31,840	-	31,840
Rent and insurance	621,597	-	621,597
Office supplies	14,964	-	14,964
Travel and meetings	115,578	-	115,578
Equipment	7,119	-	7,119
Vehicle maintenance	788,599	-	788,599
Vehicle - Capital costs	886,422	-	886,422
Advertising	31,018	-	31,018
Dues	3,666	-	3,666
Miscellaneous	26,248	63,465	89,713
Total expenditures	<u>5,794,308</u>	<u>63,465</u>	<u>5,857,773</u>
Deficiency of revenues under expenditures	(383,744)	(2,621)	(386,365)
<b>Other financing sources:</b>			
Lease agreements	95,104	-	95,104
Change in fund balances	(288,640)	(2,621)	(291,261)
Fund balances beginning of year	4,520,860	54,141	4,575,001
Fund balances end of year	<u>\$ 4,232,220</u>	<u>51,520</u>	<u>4,283,740</u>

See notes to financial statements.

Heart of Iowa Regional Transit Agency

Notes to Financial Statements

June 30, 2024

**(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, organizations, agencies, boards, commissions and authorities. 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. Basis of Presentation

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 and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under lease agreements are reported as other financing sources.

Under the terms of grant agreements, the Agency funds certain programs by a combination of specific cost reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Agency's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

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. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position

The following accounting policies are followed in preparing the financial statements:

Cash and Investments – The cash balances of most Agency funds are pooled and invested. Interest earned on investments is recorded in the General Fund unless otherwise provided by law. Investments are stated at fair value except for the investment in non-negotiable certificates of deposit which are stated at amortized cost.

Capital Assets – Capital assets are tangible and intangible assets, which include property, furniture and equipment and are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost (except for intangible right-to-use lease assets, the measurement of which is discussed under "Leases" below) if purchased or constructed. 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. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class. Reportable capital assets are defined by the Agency as assets with an initial, individual cost 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
Right-to-use subscription assets	50,000

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

**Leases – Agency as Lessee** – Heart of Iowa Regional Transit Agency is the lessee for noncancellable leases 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 the 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.

**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/expenditure) 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.

**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 when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2024.



Long-Term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities on the Statement of Net Position.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense (reduction), 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.

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.

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 in the fund financial statements 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.

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, 2024 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, 2024 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital assets being depreciated/amortized:				
Vehicles	\$ 4,584,293	872,541	(773,229)	4,683,605
Equipment	40,472	-	-	40,472
Right-to-use leased buildings	217,465	95,104	-	312,569
Total	4,842,230	967,645	(773,229)	5,036,646
Less accumulated depreciation/amortization for:				
Vehicles	3,161,767	315,689	(773,229)	2,704,227
Equipment	23,847	3,434	-	27,281
Right-to-use leased buildings	148,423	64,949	-	213,372
Total	3,334,037	384,072	(773,229)	2,944,880
Capital assets, net	\$ 1,508,193	583,573	-	2,091,766

**(4) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2024 is as follows:

	Lease Agreements	Compensated Absences	Net Pension Liability	Total OPEB Liability	Total
Balance beginning of year	\$ 72,051	39,834	464,758	11,891	588,534
Increases	95,104	12,639	247,120	1,385	356,248
Decreases	63,982	-	-	-	63,982
Balance end of year	\$ 103,173	52,473	711,878	13,276	880,800
Due within one year	\$ 32,945	52,473	-	-	85,418

### 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, 2024, the Agency paid principal of \$28,655 and interest of \$1,585.

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, 2023. During the year ended June 30, 2024, the Agency paid principal of \$3,860 and interest of \$11.

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, 2024, the Agency paid principal of \$5,551 and interest of \$293.

On August 1, 2023, the Agency entered into a lease agreement for office facilities in Urbandale, Iowa. An initial lease liability was recorded in the amount of \$85,029. The agreement requires monthly payments of \$2,519 the first year, \$2,569 the second year and \$2,620 the third year, with an implicit rate of 5.5%. The final payment is due July 1, 2026. During the year ended June 30, 2024, the Agency paid principal of \$23,963 and interest of \$3,746.

On April 1, 2024, the Agency entered into a lease agreement for office facilities in Indianola, Iowa. An initial lease liability was recorded in the amount of \$10,075. The agreement requires monthly payments of \$700, with an implicit rate of 6.25% and final payment is due June 1, 2025. During the year ended June 30, 2024, the Agency paid principal of \$1,953 and interest of \$147.

Future principal and interest lease payments as of June 30, 2024 are as follows:

Year Ending June 30,	Office Facilities - Ames			Office Facilities - Newton		
	Principal	Interest	Total	Principal	Interest	Total
2025	\$ 29,674	566	30,240	\$ 4,311	72	4,383
2026	-	-	-	-	-	-
2027	-	-	-	-	-	-
	<u>\$ 29,674</u>	<u>566</u>	<u>30,240</u>	<u>\$ 4,311</u>	<u>72</u>	<u>4,383</u>

Year Ending June 30,	Office Facilities - Urbandale			Office Facilities - Indianola		
	Principal	Interest	Total	Principal	Interest	Total
2025	\$ 28,121	2,657	30,778	\$ 8,122	278	8,400
2026	30,337	1,052	31,389	-	-	-
2027	2,608	12	2,620	-	-	-
Total	<u>\$ 61,066</u>	<u>3,721</u>	<u>64,787</u>	<u>\$ 8,122</u>	<u>278</u>	<u>8,400</u>

Year Ending June 30,	Total		
	Principal	Interest	Total
2025	\$ 70,228	3,573	73,801
2026	30,337	1,052	31,389
2027	2,608	12	2,620
Total	<u>\$ 103,173</u>	<u>4,637</u>	<u>107,810</u>

**(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](http://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 2024, 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, 2024 were \$139,329.

Net Pension Liability, Pension Expense (Reduction), Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2024, the Agency reported a liability of \$711,878 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Agency's proportion of the net pension liability was based on the Agency's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2023, the Agency's proportion was 0.015772%, which was an increase of 0.003471% over its proportion measured as of June 30, 2022.

For the year ended June 30, 2024, the Agency recognized pension expense (reduction) of \$(38,083). At June 30, 2024, 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	\$ 60,225	2,926
Changes of assumptions		11
Net difference between projected and actual earnings on IPERS' investments	65,928	-
Changes in proportion and differences between Agency contributions and the Agency's proportionate share of contributions	186,564	296,788
Agency contributions subsequent to the measurement date	139,329	-
Total	<u>\$ 452,046</u>	<u>299,725</u>

\$139,329 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 in the year ending June 30, 2025. 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
2025	\$ (115,863)
2026	(120,186)
2027	169,256
2028	64,357
2029	15,428
Total	<u>\$ 12,992</u>

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2023 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, 2023 valuation were based on the results of a quadrennial experience study covering the period of July 1, 2017 through June 30, 2021.

Mortality rates used in the 2023 valuation were based on the PubG-2010 mortality tables with future mortality improvements modeled using Scale MP-2021.

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	21.0%	4.56%
International equity	16.5	6.22
Global smart beta equity	5.0	5.22
Core plus fixed income	23.0	2.69
Public credit	3.0	4.38
Cash	1.0	1.59
Private equity	17.0	10.44
Private real assets	9.0	3.88
Private credit	4.5	4.60
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 to Changes in the Discount Rate – The following presents the Agency’s proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the Agency’s proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Agency's proportionate share of the net pension liability	\$ 1,513,611	711,878	40,012

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](http://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, 2024.

**(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, 2024, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	-
Active employees	17
	17

Total OPEB Liability – HIRTA’s total OPEB liability of \$13,276 was measured as of June 30, 2024 and was determined by an actuarial valuation date of July 1, 2022 rolled forward to June 30, 2024.



Actuarial Assumptions – The total OPEB liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2022)	2.60% per annum.
Rates of salary increase (effective June 30, 2022)	3.25% per annum, including inflation.
Discount rate (effective June 30, 2024)	3.54% compounded annually, including inflation.
Healthcare cost trend rate (effective June 30, 2022)	9.00% initial rate decreasing annually to an ultimate rate of 3.94%.

Discount Rate – The discount rate used to measure the total OPEB liability was 3.54% 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 PubG-2010 employee table, projected generationally using MP 2021 for pre-retirement and the PubG-2010 healthy annuitant table, projected generationally using MP 2021 for post-retirement.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Total OPEB liability beginning of year	\$ 11,891
Changes for the year:	
Service cost	1,694
Interest	467
Benefit payments	<u>(776)</u>
Net changes	<u>1,385</u>
Total OPEB liability end of year	<u>\$ 13,276</u>

Sensitivity of HIRTA's Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the HIRTA, as well as what the HIRTA's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.54%) or 1% higher (4.54%) than the current discount rate.

	<u>1% Decrease (2.54%)</u>	<u>Discount Rate (3.54%)</u>	<u>1% Increase (4.54%)</u>
Total OPEB liability	\$ 14,732	13,276	11,943

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 if it were calculated using healthcare cost trend rates that are 1% lower (8.00%) or 1% higher (10.00%) than the current healthcare cost trend rates.

	1% Decrease (8.00%)	Healthcare Cost Trend Rate (9.00%)	1% Increase (10.00%)
Total OPEB liability	\$ 11,133	13,276	15,922

OPEB Expense (Reduction), Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2024, HIRTA recognized OPEB expense (reduction) of \$(1,402). At June 30, 2024, 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	\$ -	9,439
Changes in assumptions	117	1,942
Total	\$ 117	11,381

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
2025	\$ (2,787)
2026	(2,860)
2027	(2,882)
2028	(1,567)
2029	(889)
Thereafter	(279)
	<u>\$ (11,264)</u>

**(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 803 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, cyber liability, law enforcement liability, and property. 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 expenditures 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, 2024 were \$296,234.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, employment practices, law enforcement, cyber 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 \$500,000 each occurrence, each location. Property risks 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.

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, 2024, no liability has been recorded in the Agency's financial statements. As of June 30, 2024, 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, 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		\$ 4,283,740
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of capital assets is \$5,036,646 and the accumulated depreciation/amortization is \$2,944,880.		2,091,766
Other long-term assets are not available to pay current expenditure and, therefore, are recognized as deferred inflows of resources in the governmental funds.		28,409
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	\$ 452,163	
Deferred inflows of resources	<u>(311,106)</u>	141,057
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	(103,173)	
Compensated absences	(52,473)	
Total OPEB liability	(13,276)	
Net pension liability	<u>(711,878)</u>	<u>(880,800)</u>
Net position of governmental activities		<u>\$ 5,664,172</u>

**(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 balances - Governmental Funds \$ (291,261)

The governmental fund reports capital outlays as expenditures while governmental activities report depreciation/amortization expense to allocate those expenditures over the life of the assets. Capital outlay expenditures and right-to-use assets exceeded depreciation/amortization expense in the current year, as follows:

Expenditures for capital assets	\$ 872,541	
Right-to-use leased capital assets	95,104	
Depreciation/amortization expense	<u>(384,072)</u>	583,573

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. (5,021)

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	(95,104)	
Repaid	<u>63,982</u>	(31,122)

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. 139,329

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	(12,639)	
OPEB reduction	1,402	
Pension reduction	<u>38,083</u>	<u>26,846</u>

Change in net position of governmental activities \$ 422,344

**Required Supplementary Information**

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Heart of Iowa Regional Transit Agency

Schedule of the Agency's Proportionate Share of the Net Pension Liability

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

Required Supplementary Information

	2024	2023	2022	2021
Agency's proportion of the net pension liability (asset)	0.015772%	0.012301%	(0.004035)% **	0.018268%
Agency's proportionate share of the net pension liability	\$ 712	465	14	1,283
Agency's covered payroll	\$ 1,388	998	805	1,450
Agency's proportionate share of the net pension liability as a percentage of its covered payroll	51.30%	46.59%	1.74%	88.48%
IPERS' net position as a percentage of the total pension liability (asset)	90.13%	91.41%	100.81%	82.90%

\* 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.

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2020	2019	2018	2017	2016	2015
0.021051%	0.024103%	0.018304%	0.019731%	0.019680%	0.016845%
1,219	1,525	1,219	1,242	972	668
1,604	1,801	1,389	1,423	1,368	1,115
76.00%	84.68%	87.76%	87.28%	71.05%	59.91%
85.45%	83.62%	82.21%	81.82%	85.19%	87.61%



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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

	2024	2023	2022	2021
Statutorily required contribution	\$ 139	131	94	76
Contributions in relation to the statutorily required contribution	(139)	(131)	(94)	(76)
Contribution deficiency (excess)	\$ -	-	-	-
Agency's covered payroll	\$ 1,476	1,388	998	805
Contributions as a percentage of covered payroll	9.42%	9.44%	9.42%	9.44%

See accompanying independent auditor's report.

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2020	2019	2018	2017	2016	2015
137	151	161	124	127	122
(137)	(151)	(161)	(124)	(127)	(122)
-	-	-	-	-	-
1,450	1,604	1,801	1,389	1,423	1,368
9.44%	9.41%	8.93%	8.93%	8.93%	8.92%

**Heart of Iowa Regional Transit Agency**

Heart of Iowa Regional Transit Agency

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2024

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2022 valuation incorporated the following refinements after a quadrennial experience study:

- Changed mortality assumptions to the PubG-2010 mortality tables with mortality improvements modeled using Scale MP-2021.
- Adjusted retirement rates for Regular members.
- Lowered disability rates for Regular members.
- Adjusted termination rates for all membership groups.

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%.

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Heart of Iowa Regional Transit Agency

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

For the Last Six Years  
Required Supplementary Information

	2024	2023	2022	2021
Service cost	\$ 1,694	1,962	1,956	1,948
Interest cost	467	448	384	336
Difference between expected and actual experiences	-	(6,058)	-	(11,239)
Changes in assumptions	-	(2,050)	-	(1,606)
Benefit payments	(776)	(337)	(464)	(156)
Net change in total OPEB liability	1,385	(6,035)	1,876	(10,717)
Total OPEB liability beginning of year	11,891	17,926	16,050	26,767
Total OPEB liability end of year	\$ 13,276	11,891	17,926	16,050
Covered-employee payroll	\$ 675,180	724,049	398,645	418,159
Total OPEB liability as a percentage of covered-employee payroll	2.0%	1.6%	4.5%	3.8%

See accompanying independent auditor's report.

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<u>2020</u>	<u>2019</u>
4,084	4,204
909	795
-	-
-	687
<u>(198)</u>	<u>(73)</u>
4,795	5,613
<u>21,972</u>	<u>16,359</u>
<u>26,767</u>	<u>21,972</u>
696,982	750,799
3.8%	2.9%

Heart of Iowa Regional Transit Agency

Notes to Required Supplementary Information – OPEB Liability

Year ended June 30, 2024

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, 2024	3.54%
Year ended June 30, 2023	3.54%
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%

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

## **Supplementary Information**



**Heart of Iowa Regional Transit Agency**

Heart of Iowa Regional Transit Agency  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2024

Grantor/ Program	Assistance Listing Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. Department of Transportation:			
Passed through Iowa Department of Transportation:			
Highway Research and Development Program	20.200	693JJ32250012	\$ 961,147
Formula Grants for Rural Areas and Tribal Transit Program	20.509	2023-001-00-SFY22	464,008
Formula Grants for Rural Areas and Tribal Transit Program	20.509	2023-001-02-SFY24	1,060,578
Formula Grants for Rural Areas and Tribal Transit Program	20.509	TFR24	82,064
Formula Grants for Rural Areas and Tribal Transit Program	20.509	2019-002-00-110-FY18	70,880
COVID-19, Formula Grants for Rural Areas and Tribal Transit Program	20.509	IA-2022-009-01-01-FY21	96,986
Formula Grants for Rural Areas and Tribal Transit Program	20.509	2016-011-02-110-18	80,007
			<u>1,854,523</u>
Passed through National Aging and Disability Transportation Center/Easterseals, Inc.:			
Transit Services Program Cluster:			
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	IL-2022-004-00	7,500 *
Passed through Iowa Department of Transportation:			
Transit Services Program Cluster:			
Job Access and Reverse Commute Program	20.516	37-X023-110-SFY20	5,666 *
Federal Transit Cluster:			
Bus and Bus Facilities Formula, Competitive, and Low or no Emissions Program	20.526	2019-007-00-110-FY18	75,310
Bus and Bus Facilities Formula, Competitive, and Low or no Emissions Program	20.526	2019-008-00-110-FY18	82,025
Bus and Bus Facilities Formula, Competitive, and Low or no Emissions Program	20.526	2019-008-01-FY19	97,070
Bus and Bus Facilities Formula, Competitive, and Low or no Emissions Program	20.526	2019-007-01-FY19	181,343
			<u>435,748</u>
Total U.S. Department of Transportation			<u>3,264,584</u>
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	244,000
Total U.S. Department of Health and Human Services			<u>244,000</u>
Corporation for National and Community Service:			
AmeriCorps Seniors Retired and Senior Volunteer Program (RSVP)	94.002	21SREIA005	73,565
AmeriCorps Seniors Retired and Senior Volunteer Program (RSVP)	94.002	21SREIA006	74,085
Total Corporation for National and Community Service			<u>147,650</u>
Total			<u>\$ 3,656,234</u>

\* Total Transit Services Program Cluster \$13,166

**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, 2024. 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.



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Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of 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, Iowa, as of and for the year ended June 30, 2024, and the related Notes to Financial Statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated March 20, 2025.

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 an immaterial instance of noncompliance or other matters which is 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, 2024 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 Response to Finding

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

### Purpose of this Report

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

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



Brian R. Brustkern, CPA  
Deputy Auditor of State

March 20, 2025

**Heart of Iowa Regional Transit Agency**



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

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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, 2024. Heart of Iowa Regional Transit Agency's major federal program is identified in Part I 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, 2024.

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 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 judgment 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 judgment 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

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2024-001 and 2024-002, to be significant deficiencies.

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.

Government Auditing Standards require the auditor to perform limited procedures on Heart of Iowa Regional Transit Agency's responses to the internal control over compliance findings identified in our compliance audit 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 compliance and, accordingly, we express no opinion on the responses.

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.



Brian R. Brustkern, CPA  
Deputy Auditor of State

March 20, 2025



Heart of Iowa Regional Transit Agency  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2024

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

- (a) Unmodified opinions were issued on the financial statements 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 noncompliance which is material to the financial statements.
- (d) Significant deficiencies in internal control over compliance for the major program were noted.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed 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 20.200 – Highway Research and Development Program.
- (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 qualified as a low-risk auditee.

Heart of Iowa Regional Transit Agency  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2024

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

**INTERNAL CONTROL DEFICIENCIES:**

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

**INSTANCES OF NONCOMPLIANCE:**

No matters were noted.

Heart of Iowa Regional Transit Agency  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2024

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

**INSTANCES OF NONCOMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

**Assistance Listing Number 20.200: Highway Research and Development Program  
Federal Award Year: 2022  
Prior Year Finding Number: N/A  
U.S. Department of Transportation**

2024-001 Federal Reporting

Criteria – The Uniform Guidance, Part 200.303, requires the Agency to establish and maintain effective internal control over the federal award which provides reasonable assurance the Agency is managing the federal award in compliance with federal statutes, regulations and the terms of the federal award. The SF-425 report, “Federal Financial Report”, is the quarterly summary of financial activity for the federal award. The Complete Trip - ITS4US Deployment Program Phases 2 and 3 contract requires that the recipients of ITS4US grants must submit an SF-425 report quarterly, due the 30th calendar day of the month after the quarter being reported.

In addition, the contract requires recipients to file monthly progress reporting in two parts: Part I: Technical Progress and Status Summary and Part II: Financial Status Summary. The monthly reports must be submitted no later than the tenth calendar day of the month following the reporting period.

Condition – For the two SF-425 reports tested, reports were submitted timely, but the reports did not agree with the Agency’s financial information at the end of each quarter. In addition, there was no documentation of independent review of the quarterly reports prior to submission.

For the two monthly progress reports tested, reports were filed with the required information, but each report was submitted nine days late and there was no documentation of independent review of the monthly reports prior to submission.

Cause – The Agency did not have policies and procedures in place to reconcile SF-425 reports to financial information ensuring accurate reporting and to ensure the required federal reports were reviewed by an independent person with knowledge of the program prior to submission. In addition, procedures have not been established to ensure timely reporting.

Effect - The lack of documented review including reconciliation of financial information increases the risk for undetected reporting errors or misstatements. In addition, the lack of policies and procedures in place by the Agency could result in late submission of reports.

Heart of Iowa Regional Transit Agency

Schedule of Findings and Questioned Costs

Year ended June 30, 2024

Recommendation – The Agency should establish policies and procedures to ensure all federal reports are reviewed and approved by an independent person who is knowledgeable about the program. This independent review should be documented by the reviewer’s signature or initials and date of review prior to submission. In addition, the Department should establish policies and procedures to ensure reports agree with the Agency’s records and are submitted timely.

Response – We will update our Accounting Policy Manual and establish additional internal controls.

Conclusion – Response accepted.

**Assistance Listing Number 20.200: Highway Research and Development Program**

**Federal Award Year: 2022**

**Prior Year Finding Number: N/A**

**U.S. Department of Transportation**

2024-002 Payroll Distribution

Criteria – The Uniform Guidance, Part 200.430(i), states “Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed.” These records must “Support the distribution of the employee’s salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.” Also, “Budget estimates (i.e., estimates determined before the services are performed) alone do not qualify as support for charges to Federal awards, but may be used for interim accounting purposes, provided that: The system for establishing the estimates produces reasonable approximations of the activity actually performed; significant changes in the related work activity (as defined by the recipient’s or subrecipient’s written policies) are promptly identified and entered into the records. Short term (such as one or two months) fluctuation between workload categories do not need to be considered as long as the distribution of salaries and wages is reasonable over the long term; and the recipient’s or subrecipient’s system of internal controls includes processes to perform periodic after-the-fact reviews of interim charges made to a Federal award based on budget estimates. All necessary adjustments must be made so that the final amount charged to the Federal award is accurate, allowable, and properly allocated.”

Condition – The Agency uses budget estimates to allocate employee payroll costs to federal programs. Employees are not tracking or reporting actual time worked on each federal program.

Cause – The Agency did not have policies and procedures in place to ensure all employee time is recorded to the correct federal program.

Effect – Payroll costs could be omitted from federal programs or charged to incorrect programs. The result could be incorrect payroll cost allocation and reporting. The effect on individual programs is undeterminable.

Heart of Iowa Regional Transit Agency

Schedule of Findings and Questioned Costs

Year ended June 30, 2024

Recommendation – The Agency should review time reporting for all pay periods and determine if time is or should be charged to federal programs. In addition, the Agency should implement policies and procedures to ensure proper distribution of salaries and wages, and these policies and procedures should be followed.

Response – We will update our Accounting Policy Manual and create formal time tracking procedures for staff working Federal projects.

Conclusion – Response accepted.

Heart of Iowa Regional Transit Agency  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2024

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

- 2024-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.
- 2024-B Travel Expense – No expenditures for travel expenses of spouses of Agency officials or employees were noted.
- 2024-C Deposits and Investments – No instances of noncompliance 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.
- 2024-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 four 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. In addition, three of the four minutes tested were not signed by the Board President prior to publishing.

Recommendation – The Agency should publish a signed summary of minutes in accordance with Chapter 28E.6(3)(a) of the Code of Iowa. In addition, minutes should be signed, and the approval should be documented.

Response – The Board cannot approve minutes to be published within 20 days as they only meet once per month or less. However, Board minutes should be published within the 20 day timeline and we will monitor this more closely to ensure compliance. We have adopted a new procedure where board minutes are given to the Administrative Assistant immediately after the Board meeting, so it is easier to meet the 20 day timeline.

Conclusion – Response accepted.

- 2024-E Restricted Donor Activity – No transactions were noted between HIRTA officials or employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.

Heart of Iowa Regional Transit Agency

Staff

This audit was performed by:

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