

**Des Moines Metropolitan Transit Authority  
Des Moines, Iowa**

**FINANCIAL REPORT**

**June 30, 2005**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Des Moines Metropolitan Transit Authority  
Des Moines, Iowa

We have audited the accompanying balance sheets of Des Moines Metropolitan Transit Authority as of June 30, 2005 and 2004 and the related statements of revenues, expenses and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Des Moines Metropolitan Transit Authority as of June 30, 2005 and 2004, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 12, 2005, on our consideration of the Des Moines Metropolitan Transit Authority's internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

The management's discussion and analysis on pages 5-10 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information as listed on pages 20 through 24 on the contents page are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Denman & Company, LLP*  
**DENMAN & COMPANY, LLP**

West Des Moines, Iowa  
August 12, 2005

**Des Moines Metropolitan Transit Authority  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2005**

This section of the Des Moines Metropolitan Transit Authority's annual financial report provides an overview of financial activities for the fiscal year ended June 30, 2005. Please read it in conjunction with the transmittal letter on page 3 and the MTA's financial statements, which begin on page 11.

**FINANCIAL HIGHLIGHTS**

- The MTA's Total Assets rose \$204,719 as a result of this year's operations. The decrease in Capital Assets of \$290,075 is due to the retirement of seventeen buses in the fleet offset by the additions to Buildings in remodeling the refueling station and the exhaust system and re-roofing much of the facility, and the purchase of nine smaller buses (six 2004 25' Startrans and three 2005 30' Opus buses). The decline in capital assets is offset by an increase in current assets as accounts receivable grew in year-end balances in federal and state funds due. Federal balances include draws for Paratransit software and the bus lease. The State receivables include \$684,623 in amounts outstanding from FY2004, along with 2005 activity. At the time of writing this article, the funds have all been received from the IDOT for FY04 and FY05 services. Approximately \$27,000 in receivables billed under Polk County's subcontract for mental health transportation is past due. The MTA believes the payment is yet forthcoming for these services rendered.
- Total Liabilities decreased slightly, \$74,254. Current Liabilities rose \$279,613 due to the year-end balance in Accounts Payable; includes \$82,231 in capital or planning funds, 80% of which is reimbursed through state or federal funds (see above discussion of Accounts Receivable) and \$44,425 due Polk County. The latter has been under discussion with Polk County and was resolved and paid after the audit was completed. Long-term Liabilities decreased \$353,867 as semiannual payments were made on the bus loan. This lease payable will be lowered by semiannual payments funded by the MTA-supporting cities over the next ten years. Federal funds have been secured for this lease and will hasten the payment period and reduce the amount due from the cities.

**Des Moines Metropolitan Transit Authority  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2005**

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of four parts: management's discussion and analysis (this section), the basic financial statements, the notes to the financial statements, and other supplementary information.

The financial statements provide readers with a broad overview of the MTA's finances, in a manner similar to a private-sector business. The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. Readers will find both long-term and short-term information about the MTA's overall financial status.

A summary of net assets is presented below:

Table 1  
Des Moines Metropolitan Transit Authority  
Net Assets

	2005	June 30 2004	2003
CURRENT AND OTHER ASSETS	7,584,020	7,179,546	5,173,707
CAPITAL ASSETS, NET OF DEPRECIATION	23,935,862	24,225,937	26,699,400
DEFERRED CHARGES	142,389	52,069	41,256
<b>TOTAL ASSETS</b>	<b>31,662,271</b>	<b>31,457,552</b>	<b>31,914,363</b>
CURRENT LIABILITIES	2,303,605	2,023,992	2,292,341
LONG-TERM LIABILITIES	3,424,632	3,778,499	3,079,452
<b>TOTAL LIABILITIES</b>	<b>5,728,237</b>	<b>5,802,491</b>	<b>5,371,793</b>
INVESTED IN CAPITAL ASSETS	20,295,777	20,286,538	23,538,369
BOARD DESIGNATED RESERVES	3,623,649	3,233,158	2,583,008
UNRESTRICTED NET ASSETS	2,014,608	2,135,365	421,193
<b>TOTAL NET ASSETS</b>	<b>25,934,034</b>	<b>25,655,061</b>	<b>26,542,570</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>31,662,271</b>	<b>31,457,552</b>	<b>31,914,363</b>

The line item "Invested in Capital Assets" represents the MTA's long-term investment in capital assets, net of accumulated depreciation and related debt, and is not available for current operations.

**Des Moines Metropolitan Transit Authority  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2005**

OVERVIEW OF FINANCIAL STATEMENTS (continued)

A summary of changes in net assets is presented below.

Table 2  
Des Moines Metropolitan Transit Authority  
Changes in Net Assets

	2005	June 30 2004	2003
<b>OPERATING REVENUES</b>			
Passenger Fares	2,622,273	3,322,383	3,312,165
Other fares	2,444,713	1,800,754	1,837,332
<b>NON-OPERATING REVENUES</b>	9,167,234	8,983,100	8,247,228
<b>TOTAL REVENUES</b>	14,234,220	14,106,237	13,396,725
<b>OPERATING EXPENSES</b>	13,686,344	12,658,826	12,977,061
DEPRECIATION	3,374,410	3,556,604	3,367,244
<b>TOTAL EXPENSES</b>	17,060,754	16,215,430	16,344,305
<b>Funds received for Capital Purchases</b>	3,105,507	1,221,684	3,265,597
<b>CHANGE IN NET ASSETS</b>	278,973	(887,509)	318,017

YEAR-TO-YEAR COMPARISON

Fixed Route experienced a slight decrease in Ridership, while Paratransit and RideShare experienced increases. Total Passenger Revenues decreased 1.1% over last year, though funding sources fluctuated.

The Fixed Route Ridership decreased slightly (0.7%) with revenues from pass sales and fare support funds falling immaterially (under 0.3%). Increases in cash fares, full fare token sales, OTT passes, and the LINK Downtown Shuttle revenues were offset by declines in ESP Monthly pass sales, school funding and charter services. Revenues from Pass Sales Outlets stayed the same as the previous year.

- Declines in ESP monthly passes (5.5%) continue to reflect the changes in the downtown labor market as businesses downsize or move out of the core, as well as construction of parking facilities that lead to more affordable employee parking.
- Pass Sales Outlets continued to have gross sales at the same amount as last year with some shift in buying weekly passes and tokens rather than monthly passes.
- The MTA has contracted for several years with Des Moines Schools to assist in transporting students. Student ridership decreased 9% this year due to Weeks Middle School opting out and a resulting 11.9% decrease in revenues.
- Charter income continued to decline significantly as FTA regulations on this service were redefined, preventing the MTA from contracting with many clients. Further a new line item "Contracted Services" was added this year for services open to the public such as the Riverpoint Shuttle, the Des Moines Arts Festival, etc. that in the past were shown under the Charter line item.

**Des Moines Metropolitan Transit Authority  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2005**

YEAR-TO-YEAR COMPARISON (continued)

Paratransit Ridership increased slightly (1.2%). Polk County funding for certain services continues to shift to an outside contractor so that revenues declined under the Polk County Funding line, but increased under Other Contracts. As that division continues to operate services open to the public such as Nite Service, Urbandale, Ankeny and West Des Moines On Call, a new line was added, "Service for Fixed Route", to distinguish revenues received for "non-traditional" Paratransit services.

Ride Share's rise in Ridership (3.9%) did not change total revenues, though one more van was in operation at year end (62 vans). The decline in the number of vans in the previous Period FY2004 vs. FY2003 due to terminating unproductive vanpools (lost 6) seems to now have stabilized.

Non-operating revenues increased slightly (2%) due to federal and municipal support of special services – Nite Service, Urbandale, Ankeny and West Des Moines On-Call, University Corridor and Airport West and South. Municipal support also increased to meet contractual agreements between the MTA and the Amalgamated Transit Union.

Operating Expenses were 8.1% higher than the prior year.

Fixed Route had a \$836,314 (8%) increase in operating expense as outlined below:

- Diesel fuel increased 45.6% (\$269,487) over the previous year, a cost increase experienced country-wide.
- Transportation wages for drivers and administrators rose \$114,472 (3.3%). This is in line with an expected, negotiated increase of slightly more than 3%. However actual experience was fewer dollars spent in wages due to shortages of drivers and greater funds spent in overtime pay to cover those vacancies.
- Maintenance costs increased \$244,773 as staffing levels increased for mechanics and service staff (still below budgeted levels) and repair costs increased (\$135,184; \$54,818 less in rebuilt parts than the previous year and \$45,213 more in accident repairs – most of that from a single accident in which we were not at fault).
- General & administration costs were \$50,729 less than the previous year due to a decrease in liability insurance premium (\$40,037), and an increase in recoveries from accidents (\$63,600 – refer again to accident discussion under Maintenance) and lower expenses for pension coverage of former employees (\$55,419).

Paratransit expenses increased \$127,632 from 2004. Increases in wages and salaries of \$57,794 include negotiated increases as well as increase in work done for Fixed Route services by Paratransit staff. Fuel increased 62%; up \$68,762 as discussed in the Fixed Route narrative. New brokering with the cab company for delivery of services increased cab costs 4.5 times to \$166,630.

RideShare has an increase in expenses over the previous year of \$63,572. Assignment of a portion of management time increased wages \$25,921. A 20.8% increase in unleaded gas expenses account for another \$25,193 of the growth in expenses.

**BUDGETARY HIGHLIGHTS**

The MTA adopts a separate budget for all three operating divisions in June of the prior fiscal year. No revisions were made during the year.

Actual results compared to approved budgets showed increases for all divisions. Budgeted figures for Fixed-Route Operating Revenues were lowered slightly from the previous year based on dropping Charter revenues significantly to meet redefined federal guidelines. In actuality, a significant number of activities where transit services are open to the public allows the MTA to provide service to community events such as the Race for the Cure, Riverpoint Shuttle and the Des Moines Arts Festival. This brought in income and the performance of other pass revenue line items exceeded budget expectations. The Paratransit Operating Revenue budget was 2.5 higher than actual as Polk County and MR Waiver billings were not as high as expected. RideShare Operating Revenue budget did not anticipate the renewal of leasing vans to the Des Moines Parks & Rec department which did, in fact, occur, giving a total increase over budget of \$8,358.

**Des Moines Metropolitan Transit Authority  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2005**

**BUDGETARY HIGHLIGHTS (continued)**

Operating expenses across all companies were \$708,328 less than budgeted. Fixed Routes showed a savings of \$640,315. Significant savings were in Salaries and Fringe Benefits in the Transportation Drivers and the Maintenance Mechanics and Servicepersons line items (\$504,363). Some of this savings is due to turn over, some due to delay in filling budgeted positions, and still other savings is from lower than expected Workers Compensation premiums. Diesel fuel was projected at \$1.34 per gallon and averaged out over the year to be slightly under budget (savings of \$7,833). Repairs and mechanic rebuilds were higher than budgeted by \$105,010. Another mild winter saved \$28,813 in snow removal. Insurance premiums quotes came in under budget by \$63,946. A reduced advertising campaign and lower costs for website hosting saved \$72,718.

Paratransit expenses exceeded the budget by \$53,975. Savings in Workers Compensation and Repairs were offset by increases in Fuel (\$50,758) and Cab Services (\$129,630). This was the first year in brokering Paratransit services with Trans Iowa. Savings expected in Drivers Wages (\$80,557) did occur, but were offset by work done for the Fixed Route (\$69,722), the latter being reimbursed.

Ride Share budget savings (\$14,038) in expenses were from lower Vehicle Repairs (\$12,804).

Non-Operating revenues were over budget by \$97,491, attributable to Federal Job Access/Reverse Commute (JARC) funds supporting expanded services.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

As of June 30, 2005 the MTA has invested approximately \$24 million in capital assets, net of depreciation. This amount is a decrease of \$290,076 over June 30, 2004.

Table 3  
Des Moines Metropolitan Transit Authority  
Capital Assets at Year-end  
(Net of Depreciation)

	2005	June 30 2004	2003
LAND	185,009	185,009	185,009
BUILDINGS & IMPROVEMENTS	4,922,048	4,426,099	4,174,573
REVENUE VEHICLES & EQUIPMENT	18,000,327	18,853,854	21,775,032
EQUIPMENT	828,478	760,975	564,786
<b>TOTALS</b>	<b>23,935,862</b>	<b>24,225,937</b>	<b>26,699,400</b>

Engineering studies and construction projects done on re-roofing the storage facility, updating exhaust systems, improving boiler function and heating systems, and remodeling the refueling station increased the net investment in Buildings & Improvements. Revenue Vehicles & Equipment decreased \$853,527 from the retirement of seventeen buses in the fleet, offset by the purchase of six 2004 25' Startrans and three 2005 30' Opus buses, 22 RideShare vans and 5 vehicles for Service. General Equipment investment increased with the purchase of a new Paratransit scheduling software package.

The MTA's FY2006 Capital Plan calls for it to spend \$9.1 million for capital assets, principally for bus replacement, preventive maintenance (which is used for operating) and technology needs. If Federal funds are not available, the Board of Trustees could consider another lease to acquire new buses.

**Des Moines Metropolitan Transit Authority  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2005**

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Two years ago, the MTA entered into a lease agreement to purchase buses and radios. The leasing of 16 buses and 21 radios allowed the MTA to save maintenance and fuel costs over the 12-year period of the lease. The MTA has secured federal funds to cover the majority of the lease costs, with the cities that subsidize the MTA agreeing to include lease payments in their financial support of this operation over the remaining 10 years. As federal funds are available, the MTA intends to shorten the lease period by making higher payments than due.

Current Liabilities (shown in Table 1) include reserves committed to known liability claims (\$575,000). This is an increase of \$10,000 in these funds set aside for accidents and other liabilities against the MTA. The company self insures accidents for the first \$2 million and carries an umbrella liability policy for \$10 million above that.

Post-retirement Obligations totaled \$129,877 at June 30, 2005, a decrease of \$50,070 over the previous year. These funds cover medical and life insurance benefits for employees that retired prior to February 1993. Benefits are accrued on life expectancy and premium costs and adjusted each year. It is expected that the balance of these funds will continue to decline each year.

OTHER CURRENTLY KNOWN FACTS, DECISIONS OR CONDITIONS

As passenger fares and government grants cover only a portion of the MTA's budget, approximately 35% of the operating budget is supported by the member cities of the 28E Agreement by which the Authority was formed. Due to the budget constraints on those cities, the MTA expects to see limited growth in municipal funding over the next few years. Costs are expected to grow at a more rapid rate than municipal funding.

The MTA Board of Trustees has adopted a proposed fare increase effective January 1, 2006. There is a 25¢ increase in the base fare. It has been ten years since the fare was increased and public hearings about the proposed change were supportive. The new fare structure is projected to bring in an additional \$125,000 for FY2006.

Reauthorization of the Transportation Bill (SAFETEA – LU) appears to mean that large urban systems in the State will have stagnant or even declining base formula funding and JARC funds will be significantly lost. We are still in the process of gathering information to measure the specific impact on the MTA.

MTA employees are represented by two labor unions; Fixed Route is represented by the Amalgamated Transit Union, and Paratransit by the Teamsters. Contractual wage increases are currently 3% and 3.5% respectively. In early FY2006, each union will begin new contractual negotiations expected to cover three years.

The recent escalation in fuel costs and continued unpredictability of those costs may have a significant impact on the new year's budget. Diesel fuel was budgeted at \$1.75 per gallon with assistance from the State Department of Natural Resources.

In conclusion, the MTA expects operating costs to continue to rise while local subsidies (particularly from cities) will increase minimally because of tight local budgets, and federal funding will likely decrease. The MTA is currently reviewing services and will reduce staff and services as deemed appropriate, while increasing marketing and visibility efforts. Local cities are considering reorganizing the MTA into a regional transit district which could change the local funding mechanism.

CONTACTING THE MTA'S FINANCIAL MANAGEMENT

This financial report is designed to provide our customers, government officials and creditors with a general overview of the MTA's finances and to show the MTA's accountability for the money it receives. If you have questions about this report or need additional information, contact the Des Moines Metropolitan Transit Authority at 515/283-8111 or write care of: Controller, Des Moines MTA, 1100 MTA Lane, Des Moines, IA 50309.

**Des Moines Metropolitan Transit Authority  
BALANCE SHEETS**

<b>ASSETS</b>	<b>June 30</b>	
	<b>2005</b>	<b>2004</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 4,434,305	\$ 4,822,115
Accounts receivable		
Trade	516,882	414,639
FTA	1,746,256	1,051,408
Other	71,769	98,327
Inventories	814,808	793,057
Prepaid expenses	142,389	52,069
Total current assets	7,726,409	7,231,615
<b>PROPERTY AND EQUIPMENT</b>		
Less accumulated depreciation and amortization	45,785,725	45,694,359
Total property and equipment	21,849,863	21,468,422
	23,935,862	24,225,937
 Total assets	 \$31,662,271	 \$31,457,552
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current obligations of capital lease	\$ 313,282	\$ 299,315
Current obligations of post retirement benefits payable	32,048	41,533
Accounts payable	604,947	358,931
Accrued and withheld payroll, payroll taxes and benefits	705,124	694,281
Deferred revenue	51,867	41,912
Accrued interest payable	21,337	23,020
Accrued self insurance claims	575,000	565,000
Total current liabilities	2,303,605	2,023,992
<b>LONG-TERM LIABILITIES</b>		
Capital lease, less current obligations	3,326,803	3,640,085
Post retirement benefits payable, less current obligations	97,829	138,414
Total long-term liabilities	3,424,632	3,778,499
Total liabilities	5,728,237	5,802,491
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	20,295,777	20,286,538
Unrestricted	5,638,257	5,368,523
Total net assets	25,934,034	25,655,061
 Total liabilities and net assets	 \$31,662,271	 \$31,457,552

See Notes to Financial Statements.

**Des Moines Metropolitan Transit Authority**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

	<u>Year ended June 30, 2005</u>			<u>Total</u>	<u>Year ended</u>
	<u>Fixed route</u>	<u>Paratransit</u>	<u>Rideshare</u>	<u>2005</u>	<u>June 30,</u>
					<u>2004</u>
<b>OPERATING REVENUES</b>	\$ 2,946,737	\$ 1,660,246	\$ 460,003	\$ 5,066,986	\$ 5,123,137
<b>OPERATING EXPENSES (EXCEPT DEPRECIATION AND AMORTIZATION)</b>	<u>11,334,382</u>	<u>1,946,038</u>	<u>405,924</u>	<u>13,686,344</u>	<u>12,658,826</u>
Operating income (loss) before depreciation and amortization	(8,387,645)	(285,792)	54,079	(8,619,358)	(7,535,689)
<b>DEPRECIATION AND AMORTIZATION</b>	<u>2,682,114</u>	<u>376,198</u>	<u>316,098</u>	<u>3,374,410</u>	<u>3,556,604</u>
Operating loss including depreciation and amortization	<u>(11,069,759)</u>	<u>(661,990)</u>	<u>(262,019)</u>	<u>(11,993,768)</u>	<u>(11,092,293)</u>
<b>OTHER INCOME (EXPENSE)</b>					
Government operating assistance					
Member municipalities	4,268,252	270,000	-	4,538,252	4,412,127
Other municipalities	-	-	-	-	2,448
FTA operating assistance	2,611,603	37,682	-	2,649,285	2,456,963
IDOT operating assistance	753,641	-	-	753,641	605,105
IDOT special projects	9,167	-	-	9,167	16,384
MPO and FTA grant income	1,061,795	91,221	-	1,153,016	1,232,199
Special subsidies	-	-	-	-	14,304
Gain (loss) on disposition of fixed assets	(148,438)	-	-	(148,438)	24,335
Investment income	69,095	-	-	69,095	34,113
Advertising income	228,833	7,410	-	236,243	228,310
Miscellaneous income	112,909	844	5,059	118,812	119,921
Interest expense	(211,839)	-	-	(211,839)	(163,109)
Total other income	<u>8,755,018</u>	<u>407,157</u>	<u>5,059</u>	<u>9,167,234</u>	<u>8,983,100</u>
Net (loss) before capital revenues	<u>\$ (2,314,741)</u>	<u>\$ (254,833)</u>	<u>\$ (256,960)</u>	(2,826,534)	(2,109,193)
Capital revenue from federal grants and member municipalities				<u>3,105,507</u>	<u>1,221,684</u>
Increase (decrease) in net assets				278,973	(887,509)
<b>NET ASSETS, beginning</b>				<u>25,655,061</u>	<u>26,542,570</u>
<b>NET ASSETS, ending</b>				<u>\$25,934,034</u>	<u>\$25,655,061</u>

See Notes to Financial Statements.

**Des Moines Metropolitan Transit Authority  
STATEMENTS OF CASH FLOWS**

	<b>Year ended June 30</b>	
	<b>2005</b>	<b>2004</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from operations	\$ 5,001,256	\$ 5,147,368
Cash paid to suppliers for goods and services	(6,029,214)	(5,885,599)
Cash paid to employees for services	<u>(7,594,384)</u>	<u>(7,060,189)</u>
Net cash (used in) operating activities	<u>(8,622,342)</u>	<u>(7,798,420)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Municipal support	4,538,252	4,428,879
Other government assistance	4,130,688	4,187,868
Cash received from other sources	<u>355,055</u>	<u>348,231</u>
Net cash provided by noncapital financing activities	<u>9,023,995</u>	<u>8,964,978</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	<u>69,095</u>	<u>34,113</u>
Net cash provided by investing activities	<u>69,095</u>	<u>34,113</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Federal, state and municipal funds received for capital expenditures	2,845,080	1,498,203
Proceeds on disposition of fixed assets	63,974	44,910
Interest paid	(213,522)	(144,707)
Purchase of property and equipment	(3,254,775)	(1,257,726)
Proceeds received on capital lease	-	1,111,340
Principal payments on capital lease	<u>(299,315)</u>	<u>(332,971)</u>
Net cash provided by (used in) capital and related financing activities	<u>(858,558)</u>	<u>919,049</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(387,810)	2,119,720
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning	<u>4,822,115</u>	<u>2,702,395</u>
Ending	<u>\$ 4,434,305</u>	<u>\$ 4,822,115</u>
<b>RECONCILIATION OF OPERATING (LOSS) TO NET CASH (USED IN) OPERATING ACTIVITIES</b>		
(Loss) from operations	\$(11,993,768)	\$(11,092,293)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities		
Depreciation and amortization	3,374,410	3,556,604
(Increase) decrease in accounts receivable, net of noncapital financing activities	(75,685)	28,801
(Increase) in inventories	(21,751)	(3,253)
(Increase) in prepaid expenses	(90,320)	(10,813)
Increase in accounts payable, net of amounts for property and equipment	204,044	26,275
Increase (decrease) in accrued and withheld payroll, payroll taxes and benefits	10,843	(2,772)
Increase (decrease) in deferred revenue	9,955	(4,570)
Increase (decrease) in accrued self insurance claims	10,000	(305,000)
Increase (decrease) in post retirement benefits payable	<u>(50,070)</u>	<u>8,601</u>
Net cash (used in) operating activities	<u>\$ (8,622,342)</u>	<u>\$ (7,798,420)</u>

See Notes to Financial Statements.

**Des Moines Metropolitan Transit Authority**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Authority was formed for the purpose of providing mass transportation for the city of Des Moines, Iowa and surrounding suburbs as well as providing commuter services to nearby communities. The Paratransit division of the Authority is designed to provide specialized transportation services to the elderly, handicapped, and low-income individuals. The Rideshare division of the Authority is designed to provide workers, who are commuting to Des Moines, an economical mode of transportation to work.

The Board of Trustees is comprised of three representatives from the City of Des Moines and one representative each from West Des Moines; Clive; Urbandale; Windsor Heights; Ankeny; Altoona; and Polk County. Each Trustee is entitled to one vote except for the Trustee designated by the Cities of Ankeny and Altoona, whose voting rights begin July 1, 2005.

**Reporting Entity**

For financial reporting purposes, the Authority has included all funds, organizations, account groups, agencies, boards, commissions and authorities that are not legally separate. The Authority 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 Authority are such that exclusion would cause the Authority'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 Authority 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 Authority. The Authority has no component units which meet the Governmental Accounting Standards Board criteria.

**Measurement Focus and Basis of Accounting**

The accounting policies of the Authority conform to accounting principles generally accepted in the United States of America as applicable to governments. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses, excluding depreciation and amortization, are recorded when a liability is incurred, regardless of the timing of related cash flows. The Authority has no government or fiduciary funds. The Authority's accounts are organized into a single proprietary fund. The enterprise fund (a proprietary fund) is used to account for operations (a) that are operated in a manner similar to private business where the intent of the governing body is that the cost (expense, including depreciation) of providing goods and services to the general public is financed or recovered primarily through user charges or (b) where the governing body has decided that the periodic determination of revenues earned, expenses incurred and/or changes in net assets is appropriate for capital maintenance.

The Authority's principal operating revenues are the fares charged to passengers for service.

The Authority applies all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989 in accounting for its operations unless those pronouncements conflict or contradict Governmental Accounting Standards Board (GASB) pronouncements.

**Cash and Cash Equivalents**

The Authority considers highly liquid investments with an original maturity of three months or less when purchased, to be cash equivalents.

**Inventories**

Inventories of vehicle repair parts are stated at cost on the first-in, first-out method.

**Des Moines Metropolitan Transit Authority  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Net Assets**

Net assets are presented in the following two components:

**Invested in capital assets, net of related debt**

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and amortization and reduced by the outstanding balances of the capital lease obligation that is attributable to the acquisition, of those assets.

**Unrestricted**

Unrestricted net assets have no externally imposed restrictions on use.

**Property and Equipment**

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Revenue equipment under capital lease is amortized on the straight-line method over the estimated useful life of the equipment. Estimated lives for the period are as follows:

Building	5 - 40 years
Revenue equipment	4 - 15 years
Equipment	5 - 10 years

**Federal and State Grants**

Federal and state grants are made available to the Authority for the acquisition of public transit facilities, planning studies, buses and other transit equipment. Unrestricted operating grants and grants restricted as to purpose, but not contingent on the actual expenditures of funds, are recognized when the right to the funds becomes irrevocable. Where the expenditure of funds is the prime factor for determining the eligibility for the grant proceeds, the grant is recognized at the time when the expense is incurred.

**Compensated Absences**

Authority employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. The cost of vacation accumulations is recorded as liabilities and expenses. The compensated absences liability, included in accrued and withheld, payroll taxes, payroll and benefits, has been computed based on rates of pay in effect at June 30, 2005 and 2004, respectively.

**Use of Estimates**

Management of the Authority has made a number of estimates and assumptions relating to the reporting of assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

**Des Moines Metropolitan Transit Authority  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 CASH AND INVESTMENTS**

The Authority's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance or the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This Chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Authority 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 Authority's investments are categorized to give an indication of the level of risk assumed by the Authority at year end. At June 30, 2005, the Authority's investment in a Mutual Fund Money Market is in a category characterized as an investment that is uninsured and unregistered, with securities held by the pledging financial institutions trust department or agent. The investments fair value at June 30, 2005 is the same as its reported value.

At June 30, 2005 the following investment is reported as a cash equivalent:

Mutual Fund Money Market Account	<u>\$1,606,351</u>
----------------------------------	--------------------

**NOTE 3 PROPERTY AND EQUIPMENT**

Property and equipment consists of the following:

	<b>July 1, 2004</b>	<b>Additions</b>	<b>Deletions</b>	<b>June 30, 2005</b>
Land	\$ 185,009	\$ —	\$ —	\$ 185,009
Buildings	7,782,170	813,464	86,645	8,508,989
Revenue equipment	27,957,586	937,330	2,007,791	26,887,125
Fare collection equipment	994,308	1,968	—	996,276
Service cars and trucks	494,719	114,826	80,229	529,316
Shop and garage equipment	550,321	10,921	78,014	483,228
Furniture and office equipment	358,027	1,452	6,045	353,434
Computer equipment	607,561	210,501	12,384	805,678
Miscellaneous equipment	568,307	7,903	85,552	490,658
Communication equipment	285,580	6,869	20,312	272,137
Paratransit vehicles	4,262,509	732,978	581,164	4,414,323
Rideshare vehicles	<u>1,648,262</u>	<u>458,533</u>	<u>247,243</u>	<u>1,859,552</u>
 Total at historical cost	 \$45,694,359	 3,296,745	 3,205,379	 45,785,725
 Less accumulated depreciation and amortization	 <u>21,468,442</u>	 <u>3,374,410</u>	 <u>2,992,969</u>	 <u>21,849,863</u>
 Net property and equipment	 <u>\$24,225,937</u>	 <u>\$ (77,665)</u>	 <u>\$ 212,410</u>	 <u>\$23,935,862</u>

**Des Moines Metropolitan Transit Authority  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 PROPERTY AND EQUIPMENT (continued)**

	<u>July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2004</u>
Land	\$ 185,009	\$ —	\$ —	\$ 185,009
Buildings	7,275,586	529,176	(22,592)	7,782,170
Revenue equipment	28,107,218	17,607	(167,239)	27,957,586
Fare collection equipment	988,648	22,860	(17,200)	994,308
Service cars and trucks	615,118	58,974	(179,373)	494,719
Shop and garage equipment	543,617	24,306	(17,602)	550,321
Furniture and office equipment	361,197	25,294	(28,464)	358,027
Computer equipment	399,187	264,542	(56,168)	607,561
Miscellaneous equipment	595,995	40,480	(68,168)	568,307
Communication equipment	365,528	2,328	(82,276)	285,580
Paratransit vehicles	4,189,150	73,359	—	4,262,509
Rideshare vehicles	<u>1,671,657</u>	<u>44,790</u>	<u>(68,185)</u>	<u>1,648,262</u>
Total at historical cost	45,297,910	1,103,716	(707,267)	45,694,359
Less accumulated depreciation and amortization	<u>(18,598,510)</u>	<u>(3,556,604)</u>	<u>686,692</u>	<u>(21,468,422)</u>
Net property and equipment	<u>\$26,699,400</u>	<u>\$(2,452,888)</u>	<u>\$ 20,575</u>	<u>\$24,225,937</u>

At June 30, 2005 and 2004, revenue equipment includes transportation vehicles under capital lease with historical cost of \$4,440,004 and accumulated amortization of \$667,937 and \$393,399, respectively. Amortization expense for these assets totaled \$276,339 and \$276,339 for the years ended June 30, 2005 and 2004, respectively.

Most of these assets were acquired with the assistance of federal funds. Under the terms of those grants, proceeds from the disposition of these assets may be required to be refunded to the federal government in the same proportion that the federal government participated in the cost of acquisition.

**NOTE 4 CAPITAL LEASE**

Capital lease consisted of the following as of June 30, 2005:

The Authority has entered into an agreement to acquire 16 buses under a capital lease. The related liability under the lease at June 30, 2005 is \$3,640,085. The obligation is due in semiannual installments of \$238,840 through November, 2014. The interest rate at June 30, 2005 was 4.55%. The lease calls for a maximum credit limit of \$4,446,499.

At June 30, 2005, future minimum lease payments are as follows:

2006	\$ 477,679
2007	477,679
2008	477,679
2009	477,679
2010	477,679
2011-2015	<u>2,149,554</u>
Total	4,537,949
Less amount representing interest	<u>897,864</u>
	3,640,085
Less current obligations under capital lease	<u>313,282</u>
Capital lease obligations, net of current obligations	<u>\$3,326,803</u>

**Des Moines Metropolitan Transit Authority  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 CAPITAL LEASE (continued)**

A summary of changes in capital lease is as follows:

	<u>July 1, 2004</u>	<u>Additions</u>	<u>Payments</u>	<u>June 30, 2005</u>
Capital lease	\$ <u>3,939,400</u>	\$ <u>      —</u>	\$ <u>299,315</u>	\$ <u>3,640,085</u>
	<u>July 1, 2003</u>	<u>Additions</u>	<u>Payments</u>	<u>June 30, 2004</u>
Capital lease	\$ <u>3,161,031</u>	\$ <u>1,111,340</u>	\$ <u>332,971</u>	\$ <u>3,939,400</u>

**NOTE 5 ACCOUNTS RECEIVABLE—FTA**

Accounts receivable—FTA is capital grant and planning funds due from FTA.

**NOTE 6 PENSION AND RETIREMENT BENEFITS**

The Authority contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits that are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the Authority is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The Authority's contribution to IPERS for the year ended June 30, 2005, 2004 and 2003, were \$419,073, \$401,247 and \$404,958, respectively equal to the required contributions for each year.

**NOTE 7 POST RETIREMENT BENEFITS OTHER THAN PENSIONS**

The Authority has agreed to provide certain health care and life insurance benefits for retired employees. For those hourly employees retiring prior to January 1, 1987, and salaried employees retiring prior to February 1, 1993, benefits are as follows:

Life insurance	
Hourly employees	\$2,000 coverage
Salaried employees	Insurance provided in an amount equal to salary at time of retirement less \$10,000
Medical insurance	Medicare Supplement Plan A

Hourly employees retiring after January 1, 1987 and salaried employees retiring after February 1, 1993 do not receive continued insurance benefits.

The present value of the benefit obligation at June 30, 2005 and 2004 is \$129,877 and \$179,947, respectively. The Authority's policy is to fund the premiums as they come due. Consequently, the obligation at June 30, 2005 is unfunded. At June 30, 2005 and 2004 there were 16 and 22 retirees receiving benefits, respectively. Benefits paid were \$61,835 and \$58,591 for the years ended June 30, 2005 and 2004, respectively.

**Des Moines Metropolitan Transit Authority  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 8 RISK MANAGEMENT**

The Authority is partially self-insured with respect to general liability insurance. The Authority purchases an umbrella policy with a \$2,000,000 aggregate deductible with regard to their general liability insurance.

At June 30, 2005 and 2004, the Authority had established reserves of \$575,000 and \$565,000, respectively, for specific claims. These estimates are based on insurance claims processor and legal counsel estimates of probable liability and include estimates of claims that have been incurred but unreported.

The following is a summary of claims paid and liabilities recorded for the years ended June 30, 2005 and 2004:

	<b>2005</b>	<b>2004</b>
Accrued claims at beginning of year	\$ 565,000	\$ 870,000
Claims paid	(455,074)	(539,623)
Amount reserved	465,074	234,623
Accrued claims at end of year	<u>\$ 575,000</u>	<u>\$ 565,000</u>

The Authority is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The Authority assumes liability for any deductibles and claims in excess of coverage limitations.

**NOTE 9 RECLASSIFICATIONS**

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

**Des Moines Metropolitan Transit Authority  
SCHEDULES OF UNRESTRICTED NET ASSETS**

	<b>Year ended June 30</b>	
	<b>2005</b>	<b>2004</b>
<b>BOARD DESIGNATED NET ASSETS</b>		
For fixed asset purchases		
Fixed route	\$1,469,260	\$ 933,993
Paratransit	335,800	410,813
Rideshare	464,924	467,900
Lease payments	<u>389,272</u>	<u>252,403</u>
Total for fixed asset purchases	<u>2,659,256</u>	<u>2,065,109</u>
Other		
Contributed capital	481,086	476,036
Liability claims	433,307	642,013
Contingency	<u>50,000</u>	<u>50,000</u>
Total other	<u>964,393</u>	<u>1,168,049</u>
Total board designated net assets	<u>3,623,649</u>	<u>3,233,158</u>
<b>UNDESIGNATED NET ASSETS</b>		
Fixed route	1,632,538	1,792,307
Paratransit	277,859	234,763
Rideshare	<u>104,211</u>	<u>108,295</u>
Total undesignated net assets	<u>2,014,608</u>	<u>2,135,365</u>
Total unrestricted net assets	<u>\$5,638,257</u>	<u>\$5,368,523</u>
<b>UNRESTRICTED NET ASSETS—fixed route</b>		
Amount received as local assistance	\$4,538,252	\$4,412,127
Prior year funds applied to current year	500,000	512,750
Required local assistance (except paratransit)	(3,843,733)	(3,383,485)
Transferred to ADA funding	<u>(270,000)</u>	<u>(270,000)</u>
Current year balance from operations	<u>924,519</u>	<u>1,271,392</u>
Balance July 1	1,792,307	1,376,388
Transferred to fixed asset fund	(584,288)	(342,723)
Transferred to current year	<u>(500,000)</u>	<u>(512,750)</u>
Remaining prior year balance	<u>708,019</u>	<u>520,915</u>
Total municipal operating funds remaining	<u>\$1,632,538</u>	<u>\$1,792,307</u>

**Des Moines Metropolitan Transit Authority**  
**SCHEDULES OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS—**  
**FIXED ROUTE DIVISION**

	<u>Year ended June 30</u>	
	<u>2005</u>	<u>2004</u>
<b>OPERATING REVENUES</b>		
Passenger revenue	\$ 2,072,175	\$ 2,009,887
Contracted service	<u>874,562</u>	<u>976,914</u>
Total operating revenues	<u>2,946,737</u>	<u>2,986,801</u>
<b>OPERATING EXPENSES</b>		
Transportation	5,899,702	5,483,116
Maintenance	2,436,396	2,191,623
Insurance	554,611	426,055
General and administration	663,836	714,565
Accounting	332,414	318,220
Planning	366,182	339,331
Personnel	251,741	220,653
Marketing	294,100	271,210
Advertising	58,651	58,067
Building and grounds	551,027	535,492
Paratransit (fixed route administrative charge)	(67,778)	(53,764)
Rideshare (fixed route administrative charge)	<u>(6,500)</u>	<u>(6,500)</u>
Operating expenses except depreciation	<u>11,334,382</u>	<u>10,498,068</u>
Operating loss before depreciation	(8,387,645)	(7,511,267)
<b>DEPRECIATION</b>	<u>2,682,114</u>	<u>2,859,474</u>
Operating loss including depreciation	<u>(11,069,759)</u>	<u>(10,370,741)</u>
<b>OTHER INCOME (EXPENSE)</b>		
Government operating assistance		
Member municipalities	4,268,252	4,142,127
Other municipalities	—	2,448
FTA operating assistance	2,611,603	2,416,670
IDOT operating assistance	753,641	605,105
IDOT special projects	9,167	16,384
MPO and FTA grant income	1,061,795	1,198,319
Special subsidies	—	14,304
Gain (loss) on disposition of fixed assets	(148,438)	24,335
Interest income	69,095	34,113
Advertising income	228,833	221,677
Miscellaneous income	112,909	97,249
Interest expense	<u>(211,839)</u>	<u>(163,109)</u>
Total operating assistance and other income	<u>8,755,018</u>	<u>8,609,622</u>
Net loss after other income	<u>\$ (2,314,741)</u>	<u>\$ (1,761,119)</u>

See Accompanying Independent Auditor's Report.

**Des Moines Metropolitan Transit Authority**  
**SCHEDULES OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS—**  
**PARATRANSIT DIVISION**

	<b>Year ended June 30</b>	
	<b>2005</b>	<b>2004</b>
<b>OPERATING REVENUES</b>		
Service income		
Polk County	\$ 639,646	\$ 744,580
State	70,596	72,446
LINK	68,177	66,165
Fare paying clients	43,025	57,559
Service income, other	<u>838,802</u>	<u>736,842</u>
Total operating revenues	<u>1,660,246</u>	<u>1,677,592</u>
<b>OPERATING EXPENSES</b>		
Administrative wages	204,510	200,161
Mechanics wages	101,640	90,312
Drivers wages	765,928	725,591
Employee benefits	197,209	177,115
MTA staff assistance	136,845	135,065
Rent	18,000	18,000
Payroll taxes	146,514	136,819
Insurance	60,000	60,000
Fuel and lubricants	192,338	123,298
Maintenance and repairs	105,978	90,207
Printing	-	67
Contracted services, cabs	166,630	36,604
Legal and accounting	6,522	6,000
Data processing	14,800	14,800
Office expenses	4,512	3,189
Credit for interdivision services	(177,678)	-
Other	<u>2,290</u>	<u>1,178</u>
Total operating expenses	<u>1,946,038</u>	<u>1,818,406</u>
Operating loss before depreciation	(285,792)	(140,814)
<b>DEPRECIATION</b>		
Operating loss including depreciation	<u>376,198</u>	<u>384,808</u>
	(661,990)	(525,622)
<b>OTHER INCOME</b>		
Government operating assistance		
ADA subsidy	270,000	270,000
FTA grant income	91,221	33,880
FTA operating assistance	37,682	40,293
Advertising and other income	<u>8,254</u>	<u>8,199</u>
Total other income	<u>407,157</u>	<u>352,372</u>
Net loss after other income	<u>\$ (254,833)</u>	<u>\$ (173,250)</u>

See Accompanying Independent Auditor's Report.

**Des Moines Metropolitan Transit Authority**  
**SCHEDULES OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS—**  
**RIDESHARE DIVISION**

	<b>Year ended June 30</b>	
	<b>2005</b>	<b>2004</b>
<b>OPERATING REVENUES</b>	<u>\$ 460,003</u>	<u>\$ 458,744</u>
<b>OPERATING EXPENSES</b>		
Wages and benefits	103,310	70,158
Service contracts	4,259	3,141
Travel	1,572	755
Professional fees	4,228	4,000
Office supplies	272	128
Van miscellaneous	747	3,310
Administrative miscellaneous	2,527	1,888
Office rent	6,500	6,500
Promotional events	2,440	3,011
Driver training	—	(500)
Van phones	7,336	7,552
Insurance	76,801	66,580
Maintenance and repairs	45,905	52,626
Gas and oil	146,519	121,262
Drug screening	4,767	3,478
Van personal use	<u>(1,259)</u>	<u>(1,537)</u>
Total operating expenses	<u>405,924</u>	<u>342,352</u>
Operating income before depreciation	54,079	116,392
<b>DEPRECIATION</b>	<u>316,098</u>	<u>312,322</u>
Operating loss including depreciation	<u>(262,019)</u>	<u>(195,930)</u>
<b>OTHER INCOME</b>	<u>5,059</u>	<u>21,106</u>
Net loss after other income	<u>\$ (256,960)</u>	<u>\$ (174,824)</u>

**Des Moines Metropolitan Transit Authority  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year ended June 30, 2005**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
Department of Transportation/Federal Transit Administration		
Federal Transit Cluster		
Federal Transit Capital Investment Grants	20.500	\$ 478,535
Federal Transit Formula Grants	20.507	<u>5,280,009</u>
Total Federal Transit Cluster		5,758,544
Federal Transit Job Access - Reverse Commute	20.516	<u>724,660</u>
Total federal expenditures		<u>\$6,483,204</u>

**BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Des Moines Metropolitan Transit Authority and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees  
Des Moines Metropolitan Transit Authority  
Des Moines, Iowa

We have audited the financial statements of Des Moines Metropolitan Transit Authority as of and for the year ended June 30, 2005, and have issued our report thereon dated August 12, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Des Moines Metropolitan Transit Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Des Moines Metropolitan Transit Authority's financial statements are free of 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Trustees, management, others within the Des Moines Metropolitan Transit Authority, Federal Transit Administration, Department of Transportation, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

  
DENMAN & COMPANY, LLP

West Des Moines, Iowa  
August 12, 2005

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Trustees  
Des Moines Metropolitan Transit Authority  
Des Moines, Iowa

**Compliance**

We have audited the compliance of Des Moines Metropolitan Transit Authority with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The Des Moines Metropolitan Transit Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Des Moines Metropolitan Transit Authority's management. Our responsibility is to express an opinion of the Des Moines Metropolitan Transit Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Des Moines Metropolitan Transit Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Des Moines Metropolitan Transit Authority's compliance with those requirements.

In our opinion, the Des Moines Metropolitan Transit Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

### **Internal Control Over Compliance**

The management of Des Moines Metropolitan Transit Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered the Des Moines Metropolitan Transit Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Trustees, management, others within the Des Moines Metropolitan Transit Authority, Federal Transit Administration, Department of Transportation, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

  
**DENMAN & COMPANY, LLP**

West Des Moines, Iowa  
August 12, 2005

**Des Moines Metropolitan Transit Authority  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year ended June 30, 2005**

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

- (a) An unqualified opinion was issued on the financial statements.
- (b) No reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No material weaknesses in internal controls over major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to major programs.
- (f) The audits did not disclose audit findings that are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - \*CFDA Number 20.500, 20.507 - Federal Transit Cluster
  - \*CFDA Number 20.516 - Federal Transit Job Access - Reverse Commute
- (h) The dollar threshold used to distinguish between type A and B programs was \$300,000.
- (i) The Des Moines Metropolitan Transit Authority does qualify as a low-risk auditee.

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

**Instances of Non-compliance**

No matters were noted.

**Reportable Conditions**

No matters were noted.

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

**Instances of Non-Compliance**

No matters were noted.

**Reportable Conditions**

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