

**Des Moines Regional Transit Authority  
Des Moines, Iowa**

**FINANCIAL REPORT**

**June 30, 2007**

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**Des Moines Regional Transit Authority  
OFFICIALS**

<u>Name and Title</u>	<u>Representing</u>
<b>COMMISSION</b>	
Christine Hensley, Chair	Region 3 - Des Moines
Skip Conkling, Vice Chair	Region 1 - Altoona, Mitchellville, Runnells, Bondurant
Ted Boesen, Jr., Secretary/Treasurer	Region 6 - Des Moines, Pleasant Hill, Carlisle
Robert Parks, Member	Region 2 - West Des Moines, Windsor Heights, Clive
John Forst, Member	Region 4 - Des Moines, Urbandale
Bob Mahaffey, Member	Region 5 - Des Moines
Steve Van Oort, Member	Region 7 - Ankeny, Elkhart, Alleman, Sheldahl, Polk City, Granger, Grimes, Johnston
Gaye Johnson, Member	At-Large
Angela Connolly, Member	At-Large
<b>AUTHORITY</b>	
Brad Miller, General Manager	

## INDEPENDENT AUDITOR'S REPORT

To the Commission  
Des Moines Regional Transit Authority  
Des Moines, Iowa

We have audited the accompanying balance sheets of Des Moines Regional Transit Authority as of June 30, 2007 and 2006 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 Regional Transit Authority as of June 30, 2007 and 2006, 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 September 20, 2007, on our consideration of the Des Moines Regional 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 considered in assessing the results of our audits.

The management's discussion and analysis and budgetary comparison information on pages 6-12 and 23-24 are not required parts of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. 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 25 through 28 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  
September 20, 2007

Des Moines Regional Transit Authority  
Management's Discussion and Analysis  
Year Ended June 30, 2007

This section of the Des Moines Regional Transit Authority's (DART) annual financial report provides an overview of financial activities for the fiscal year ended June 30, 2007. Please read it in conjunction with the transmittal letter on page 3 and DART's financial statements, which begin on page 13.

**FINANCIAL HIGHLIGHTS**

- DART's Total Assets increased \$6,866,691 as a result of this year's operations. The majority of the increase (\$5.13 million) is in property tax receivables.
  - Additions to Capital Assets totaled \$6,196,131. Major purchases are outlined in the Capital Assets section later.
  - Disposals from Capital totaled \$2,099,045 (see Capital Assets section).
  - The remainder, and most significant part, of the change in Capital Assets is from depreciation, mostly occurring in the aging of the fleet.
  - Current assets increased.
    - Cash and Cash Items decreased - \$885k
    - Certificates of Deposit decreased - \$517k
    - Federal Grant Receivables decreased - \$410k
    - State Grant Receivables decreased - \$144k
    - Property Taxes increased - \$5,194k
    - Inventories increased - \$48k
    - In FY2006, Federal balances included Job Access Reverse Commute activity for FY2005 and FY2006, which was received shortly after the close of last year's business.
    - Approximately \$124,209 in receivables billed under Polk County's subcontract for mental health transportation is still outstanding due to changes in billing procedures. DART staff believe the payment is yet forthcoming for these services rendered.
- Total Liabilities increased \$4,964,335
  - Current Liabilities rose \$4,726,909 and includes:
    - Current lease obligations decreased - \$332k
    - Payroll and payroll-related items increased - \$52k
    - Reserves for Accident Claims increased - \$7k
    - Deferred property taxes increased - \$5,133k
  - Long-term Liabilities increased \$237,426. The balance of this lease payable will be lowered by semiannual payments funded by DART-supporting cities over the next several years. Additional federal funds have been secured for this lease and will hasten the payment period and reduce the amount due from the cities.

## 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 DART'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 DART's overall financial status.

A summary of net assets is presented below:

Table 1  
Des Moines Regional Transit Authority  
Net Assets  
June 30

	2007	2006	2005
CURRENT AND OTHER ASSETS	12,245,680	7,607,277	7,584,020
CAPITAL ASSETS, NET OF DEPRECIATION	23,537,359	21,365,734	23,935,862
DEFERRED CHARGES	<u>202,689</u>	<u>146,026</u>	<u>142,389</u>
<b>TOTAL ASSETS</b>	<b>35,985,728</b>	<b>29,119,037</b>	<b>31,662,271</b>
CURRENT LIABILITIES	7,423,558	2,696,649	2,303,605
LONG-TERM LIABILITIES	<u>895,008</u>	<u>657,582</u>	<u>3,424,632</u>
<b>TOTAL LIABILITIES</b>	<b>8,318,566</b>	<b>3,354,231</b>	<b>5,728,237</b>
INVESTED IN CAPITAL ASSETS*	22,626,419	20,355,191	20,295,777
BOARD DESIGNATED RESERVES	3,277,195	3,618,788	3,623,649
UNRESTRICTED NET ASSETS	<u>1,763,548</u>	<u>1,790,827</u>	<u>2,014,608</u>
<b>TOTAL NET ASSETS</b>	<b><u>27,667,162</u></b>	<b><u>25,764,806</u></b>	<b><u>25,934,034</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>35,985,728</u></b>	<b><u>29,119,037</u></b>	<b><u>31,662,271</u></b>

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

A summary of changes in net assets is presented below.

Table 2  
Des Moines Regional Transit Authority  
Changes in Net Assets  
June 30

	2007	2006	2005
OPERATING REVENUES			
Passenger fares	3,270,417	3,058,157	2,622,273
Other fares	3,040,041	2,607,398	2,444,713
NON-OPERATING REVENUES	<u>10,091,582</u>	<u>9,974,895</u>	<u>9,167,234</u>
<b>TOTAL REVENUES</b>	<b><u>16,402,040</u></b>	<b><u>15,640,450</u></b>	<b><u>14,234,220</u></b>
OPERATING EXPENSES	15,802,107	15,316,902	13,686,344
DEPRECIATION	<u>3,787,075</u>	<u>3,566,290</u>	<u>3,374,410</u>
<b>TOTAL EXPENSES</b>	<b><u>19,589,182</u></b>	<b><u>18,883,192</u></b>	<b><u>17,060,754</u></b>
Funds received for Capital Purchases	5,089,498	3,073,514	3,105,507
<b>CHANGE IN NET ASSETS</b>	<b><u>1,902,356</u></b>	<b><u>(169,228)</u></b>	<b><u>278,973</u></b>

#### YEAR-TO-YEAR COMPARISON

Fixed Route experienced a 3.5% increase in Ridership, RideShare rose 2.6% with an additional van in circulation, and Paratransit served the same number of clients as last year. Total Operating Revenues increased 11.4% over last year.

The positive Fixed Route Ridership increase occurred at a time of high fuel prices, continued construction delays and detours, and service shifts to meet public needs.

- Fare revenue increased 6.9% over the previous year.
- The Employer Support Program participation increased 11.5%, reversing the trend for the past few years when the downtown labor market shifted as businesses downsized or moved out of the core, and new parking facilities were opened.
- Pass Sales Outlets increased sales of passes and tokens by 5% with a shift from buying weekly passes to monthly passes and tokens.
- Special services such as the Des Moines Arts Festival, the Race for the Cure, and the State Fair ridership increased 7.03%. Additional service was added for events such as the wrestling tournament and events in the new Wells Fargo Arena due to road construction.

Paratransit ridership stayed at the same level as last year, with a 13% increase in operating revenues.

- Link Associates vacated a long-standing contract at the beginning of 2006, deciding their transportation needs could be met by private vans.
- This division continues to operate services open to the public such as Dial-a-Ride Night Service, Urbandale, Ankeny and West Des Moines On Call.

Ride Share experienced a 28.6% increase in fares.

- 82 vans were in operation at year-end compared to 76 vans last year.
- Ridership increased 2.55%

Non-operating revenues increased 1.2%.

- Municipal assistance for operations decreased 94.2% and is replaced with property tax revenue under the new DART structure.
- Federal support for operating and capital lease assistance fell due to reduced funds for rural service and reduction of the capital lease.
- New grant funds of \$43,764 were available for rapid transit study under the Federal Highway Administration's (FHA) Highway Planning and Construction.

Operating Expenses were 3% higher than the prior year.

Fixed Route had a \$363,899 (2.9%) increase in operating expense as outlined below:

- Diesel fuel represented over one-third of the increased expenses, rising 5% above the prior year's expense. Beginning the year with an average cost of \$2.45 per gallon, it hit a peak of \$2.69 in August 2006 and ended the year at \$2.28.
- Transportation wages for drivers and administrators rose \$94,884 (3.1%). This is in line with an expected, negotiated wage increase. However actual experience due to retirements of long-term drivers, reflected more instructor training expenses for new drivers and additional overtime to accommodate those changes.
- General & administration costs were \$172,590 more than the previous year. A few significant areas to note are:
  - Liability insurance coverage – expenses rose \$103,236.
  - Miscellaneous expenses for dues, memberships, travel and training rose \$56,550, a portion due to the search expenses for a new General Manager.
- Insurance claims had an increase of \$143,657 over the previous year.

Paratransit expenses increased \$20,944 from 2006:

- Increases in wages and salaries of \$82,367 include negotiated increases as well as increased staffing for scheduling and dispatching. Paratransit operators continued to expand their role in providing On Call services.
- Repair expenses increased \$8,837 and as previously mentioned, the average age of the fleet is beyond the national average, requiring more maintenance.
- Continued brokering with the Trans Iowa cab company added \$12,291 in expense this year. However, as mentioned in the non-operating revenues discussion above, 80% of those expenses are reimbursed through a new grant.

RideShare has an increase in expenses over the previous year of \$100,362:

- A 54.7% increase in unleaded gas expenses accounts for \$94,813.
- September 2006, the fuel surcharge was eliminated and rolled in as a component of the new increased fare structure.
- Vehicle repairs totaled \$60,670, half of that being for accident repairs.

## BUDGETARY HIGHLIGHTS

DART adopts a separate budget for all three operating divisions in June of the prior fiscal year. One revision was made during the year.

Actual results compared to adopted budgets showed increases for all divisions.

- Budgeted figures for Fixed-Route Operating Revenues were raised from that of FY2006 for a planned mid-year fare increase and additional school service. In actuality, Operating Revenues exceeded the budget by \$133,421.
  - Fare increases were conservatively projected to add an additional \$116,917 in revenues.
  - \$59,916 represents an increase in the number of passes and tokens sold.
  - A significant number of activities where transit services are open to the public allow DART 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 of \$487,557.
  - School services brought in slightly more than projected over last year \$38,134 as additional schools (Weeks, Roosevelt, North and East) added riders.
- The Paratransit Operating Revenue experienced an increase of \$127,612 over the budget.
  - State Contract revenues fell by nearly 65% as that government agency cut funding.
  - Polk County-funded trips decreased \$120,114 from the budget
  - Other contracts, including those for developmentally disables and the elderly increased \$180,035.

- RideShare Operating Revenue experienced a small decrease of \$8,054 under budget.
  - 80 vans were in operation at year-end, exceeding the 75 vans budgeted.
  - During the summer, both the City of Urbandale and the Des Moines Parks & Rec department leased vans adding \$4,900 to the budgeted amount.

Operating expenses across all companies were \$192,686 over budget.

- Fixed Route showed an overage of \$205,491. Significant variances were in:
  - Salary and Wage costs were over budget \$19,000 due to a Rideshare clerical position transferred to Fixed Route.
  - Fuels and Lubricants was over budget \$30,670 due to actualization of inventory.
  - Transportation Operator expenses were \$90,160 over budget, matching the increase in contracted services revenue to off set the increase in the cost of service.
  - General and Administration costs were higher due to the increase in health insurance costs.
- Paratransit expenses showed a savings of \$8,445 as outlined below:
  - Repair Parts were under budget \$2,138.
  - Contracted Cab Services were \$3,895 under budget.
- Ride Share expenses showed a savings of \$4,360 as outlined below.
  - Unleaded fuel expense was under budget.

Non-Operating revenues were under budget by \$362,461, attributable to interest expense savings and paratransit income.

#### CAPITAL ASSET AND DEBT ADMINISTRATION

As of June 30, 2007 DART has invested approximately \$23 million in capital assets, net of depreciation. This amount is a increase of \$2,171,625 over June 30, 2006.

Table 3  
Des Moines Regional Transit Authority  
Capital Assets at Year-end  
(Net of Depreciation)  
June 30

	2007	2006	2005
LAND	\$ 185,009	\$ 185,009	\$ 185,009
BUILDINGS & IMPROVEMENTS	4,883,998	4,916,570	4,922,048
REVENUE VEHICLES & EQUIPMENT	17,909,459	15,544,634	18,000,327
EQUIPMENT	558,893	719,521	828,478
<b>TOTALS</b>	<b><u>\$23,537,359</u></b>	<b><u>\$21,365,734</u></b>	<b><u>\$23,935,862</u></b>

- Additions to Capital Assets totaled \$6,196,131. Major purchases were:
  - RideShare vans (31) - \$609k
  - Upgrades for buildings and property - \$378k
  - Paratransit buses (2) - \$133k
  - Service upgrades - \$71k
  - Computer hardware and software - \$62k
  - Fixed route buses (18) - \$4,911k
- Disposals from Capital totaled \$2,099,045. Major assets sold or retired were:
  - RideShare vans (25) - \$545k
  - Computer hardware and software - \$90k
  - Paratransit buses - \$244k
  - Fixed route buses (7) - \$1,077k

- The remainder, and most significant part, of the change in Capital Assets is from depreciation, mostly occurring in the aging of the fleet. Currently, DART has a fixed-route fleet of 127 vehicles with an average age of 8.165 years, and a Paratransit fleet of 26 vehicles with an average age of 6.15 years.

To fully fund DART's FY2007 Capital Plan would require \$35 million, including \$20 million for a new Transit Hub facility in Downtown Des Moines. Since only \$6.7 million has been identified, upcoming capital expenditures will focus on bus replacement, preventive maintenance (which is used to cover operating costs) and technology needs. Staff is completing the feasibility and property studies needed to seek approximately \$1,000,000 in newly eligible State Rebuild Iowa Infrastructure funds in the next two years to fund a needed expansion of the bus storage building.

#### Debt Administration

- Four years ago, DART entered into a lease agreement to purchase buses and radios. The leasing of 16 buses and 21 radios allowed DART to save maintenance and fuel costs over the 12-year period of the lease. DART has secured federal funds to cover the majority of the lease costs, with the cities that subsidize DART agreeing to include lease payments in their financial support of this operation over the remaining years.

Current Liabilities (shown in Table 1) include;

- Reserves committed to known liability claims (\$757,500). This is an increase of \$7,500 in these funds set aside for accidents and other liabilities against DART. The company self insures accidents for the first \$2 million and carries an umbrella liability policy for \$10 million above that. DART is considering adoption of policy guidance requiring the reserve to equal three times the average of actual claims paid over the previous three years (roughly \$1,000,000).
- Post-retirement Obligations totaled \$117,375 at June 30, 2007, an increase of \$8,576 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 DART's budget, approximately 35% of the operating budget is supported by the member cities of the 28M Agreement by which the Authority was formed. All cities within Polk County and Polk County itself signed the agreement giving the new Authority independent taxing authority, the first receipts of which it received this fall.

The new DART Commission is working on service plans for FY2009 and adopted a budget early in 2007. Future tax levies are expected to allow for solid growth with a stable funding source.

Reauthorization of the Transportation Bill (SAFETEA – LU) included revisions that at best held DART's and the other large urban systems in the State constant and in some cases lowered the formula funding levels. Additionally, JARC funds were significantly reduced. We are still in the process of gathering information to measure the specific impact on DART and how that will effect Night Service and On-Call services.

RTA employees are represented by two labor unions; Fixed Route is represented by the Amalgamated Transit Union, and Paratransit by the Teamsters. The Teamsters agreed to a three-year contract with a 2% wage increases each year. The ATU agreed to a four year contract with a 3% wage increase each year.

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 \$2.15 with assistance from the State Department of Natural Resources.

In conclusion, DART expects operating costs to continue to rise while local subsidies from tax levies support and stabilize our services. Much of this next year will be spent in administrating the reports, services and leadership needed to sustain the vision. High fuel prices are expected to continue and be reflected in more riders. DART is currently expanding services, while increasing marketing and visibility efforts.

## CONTACTING DART's FINANCIAL MANAGEMENT

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

**Des Moines Regional Transit Authority  
BALANCE SHEETS**

<b>ASSETS</b>	<b>June 30</b>	
	<b>2007</b>	<b>2006</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,304,352	\$ 3,189,047
Certificates of deposit	1,023,794	1,540,307
Investments	1,470,550	-
Accounts receivable		
Trade	681,670	799,444
FTA	597,914	1,008,511
Other	18,810	163,234
Property tax receivable		
Current	5,133,627	-
Delinquent	60,068	-
Inventories	954,895	906,734
Prepaid expenses	202,689	146,026
Total current assets	<u>12,448,369</u>	<u>7,753,303</u>
<b>PROPERTY AND EQUIPMENT</b>		
Less accumulated depreciation and amortization	50,350,000	46,252,914
Total property and equipment	<u>26,812,641</u>	<u>24,887,180</u>
	<u>23,537,359</u>	<u>21,365,734</u>
 Total assets	 <u>\$35,985,728</u>	 <u>\$29,119,037</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current obligations of capital lease	\$ 104,142	\$ 435,987
Current obligations of post retirement benefits payable	29,165	25,773
Accounts payable	507,479	651,347
Accrued and withheld payroll, payroll taxes and benefits	826,483	773,893
Deferred property taxes	5,133,627	-
Deferred revenue	59,822	53,726
Accrued interest payable	5,340	5,923
Accrued self insurance claims	757,500	750,000
Total current liabilities	<u>7,423,558</u>	<u>2,696,649</u>
<b>LONG-TERM LIABILITIES</b>		
Capital lease, less current obligations	806,798	574,556
Post retirement benefits payable, less current obligations	88,210	83,026
Total long-term liabilities	<u>895,008</u>	<u>657,582</u>
Total liabilities	<u>8,318,566</u>	<u>3,354,231</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	22,626,419	20,355,191
Unrestricted	5,040,743	5,409,615
Total net assets	<u>27,667,162</u>	<u>25,764,806</u>
 Total liabilities and net assets	 <u>\$35,985,728</u>	 <u>\$29,119,037</u>

See Notes to Financial Statements.

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

	<u>Year ended June 30, 2007</u>			<u>Total</u>	<u>Year ended</u>
	<u>Fixed route</u>	<u>Paratransit</u>	<u>Rideshare</u>	<u>2007</u>	<u>June 30,</u>
					<u>2006</u>
<b>OPERATING REVENUES</b>	\$ 3,694,044	\$1,939,461	\$ 676,953	\$ 6,310,458	\$ 5,665,555
<b>OPERATING EXPENSES (EXCEPT DEPRECIATION AND AMORTIZATION)</b>	<u>12,960,467</u>	<u>2,279,282</u>	<u>562,358</u>	<u>15,802,107</u>	<u>15,316,902</u>
Operating income (loss) before depreciation and amortization	(9,266,423)	(339,821)	114,595	(9,491,649)	(9,651,347)
<b>DEPRECIATION AND AMORTIZATION</b>	<u>2,880,114</u>	<u>466,167</u>	<u>440,794</u>	<u>3,787,075</u>	<u>3,566,290</u>
Operating loss including depreciation and amortization	<u>(12,146,537)</u>	<u>(805,988)</u>	<u>(326,199)</u>	<u>(13,278,724)</u>	<u>(13,217,637)</u>
<b>OTHER INCOME (EXPENSE)</b>					
Government operating assistance					
Member municipalities	-	280,115	-	280,115	4,885,554
Property tax	4,713,910	-	-	4,713,910	-
FTA operating assistance	2,537,455	46,385	-	2,583,840	2,596,296
IDOT operating assistance	793,001	-	-	793,001	789,443
IDOT special projects	8,368	-	-	8,368	126,245
FTA grant income	1,055,978	193,609	-	1,249,587	1,218,463
Gain on disposition of fixed assets	69,660	-	-	69,660	23,251
Investment income	105,199	-	-	105,199	157,548
Advertising income	206,770	6,955	-	213,725	219,367
Miscellaneous income	111,199	2,928	4,963	119,090	107,711
Interest expense	(44,913)	-	-	(44,913)	(148,983)
Total other income	<u>9,556,627</u>	<u>529,992</u>	<u>4,963</u>	<u>10,091,582</u>	<u>9,974,895</u>
Net (loss) before capital revenues	<u>\$ (2,589,910)</u>	<u>\$ (275,996)</u>	<u>\$ (321,236)</u>	(3,187,142)	(3,242,742)
Capital revenue from federal grants and member municipalities				<u>5,089,498</u>	<u>3,073,514</u>
Increase (decrease) in net assets				1,902,356	(169,228)
<b>NET ASSETS, beginning</b>				<u>25,764,806</u>	<u>25,934,034</u>
<b>NET ASSETS, ending</b>				<u>\$27,667,162</u>	<u>\$25,764,806</u>

See Notes to Financial Statements.

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

	<b>Year ended June 30</b>	
	<b>2007</b>	<b>2006</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from operations	\$ 6,518,684	\$ 5,293,386
Cash paid to suppliers for goods and services	(7,519,338)	(7,405,658)
Cash paid to employees for services	<u>(8,168,601)</u>	<u>(7,990,086)</u>
Net cash (used in) operating activities	<u>(9,169,255)</u>	<u>(10,102,358)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Municipal support	280,115	4,885,554
Property taxes received	4,653,842	-
Other government assistance	5,320,788	5,047,597
Cash received from other sources	<u>332,815</u>	<u>327,078</u>
Net cash provided by noncapital financing activities	<u>10,587,560</u>	<u>10,260,229</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of certificates of deposit	(500,000)	(1,500,000)
Proceeds from sale of certificate of deposit	1,050,920	-
Purchase of government securities	(1,464,947)	-
Interest received	<u>65,189</u>	<u>117,241</u>
Net cash (used in) investing activities	<u>(848,838)</u>	<u>(1,382,759)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Federal, state and municipal funds received for capital expenditures	4,874,171	3,494,110
Proceeds on disposition of fixed assets	307,091	85,418
Interest paid	(45,496)	(164,397)
Purchase of property and equipment	(6,490,325)	(805,959)
Principal payments on capital lease	<u>(99,603)</u>	<u>(2,629,542)</u>
Net cash (used in) capital and related financing activities	<u>(1,454,162)</u>	<u>(20,370)</u>
<b>NET (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(884,695)	(1,245,258)
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning	<u>3,189,047</u>	<u>4,434,305</u>
Ending	<u>\$ 2,304,352</u>	<u>\$ 3,189,047</u>
<b>RECONCILIATION OF OPERATING (LOSS) TO NET CASH (USED IN) OPERATING ACTIVITIES</b>		
(Loss) from operations	\$(13,278,724)	\$(13,217,637)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities		
Depreciation and amortization	3,787,075	3,566,290
(Increase) decrease in accounts receivable, net of noncapital financing activities	202,129	(374,027)
(Increase) in inventories	(48,160)	(91,927)
(Increase) in prepaid expenses	(56,663)	(3,637)
Increase (decrease) in accounts payable, net of amounts for property and equipment	150,326	(205,970)
Increase in accrued and withheld payroll, payroll taxes and benefits	52,590	68,769
Increase in deferred revenue	6,096	1,859
Increase in accrued self insurance claims	7,500	175,000
Increase (decrease) in post retirement benefits payable	<u>8,576</u>	<u>(21,078)</u>
Net cash (used in) operating activities	<u>\$ (9,169,255)</u>	<u>\$ (10,102,358)</u>

See Notes to Financial Statements.

**Des Moines Regional 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 areas 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. Effective July 1, 2006, the Authority agreement has been amended to expand its service area and reorganize from a 28E entity to a 28M entity, which enables it the ability to levy taxes.

Effective July 1, 2006, the Commission is comprised of two at-large representatives appointed by Polk County, and one representative from each of seven Regions, comprising of the Cities of Des Moines; West Des Moines; Clive; Urbandale; Windsor Heights; Ankeny; Altoona; Mitchellville; Runnells; Bondurant; Pleasant Hill; Carlisle; Elkhart; Alleman; Sheldahl; Polk City; Granger; Grimes and Johnston.

**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.

**Assets, Liabilities and Net Assets**

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

**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.

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

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

**Investments**

The Authority's investments with readily determinable fair values are reported at their fair values in the balance sheet. Certificates of deposit are stated at cost. Realized and unrealized gains and losses are included in net (loss) before capital revenues in the accompanying statement of revenues, expenses, and changes in net assets.

Investment income is reported as other income.

**Property Taxes Receivable**

Property tax receivable is recognized on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. Current year delinquent property taxes receivable represents taxes collected by the County but not remitted to the Authority at June 30, 2007 and unpaid taxes. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

**Inventories**

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

**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

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

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

**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, 2007 and 2006, respectively.

**Deferred Revenue**

Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue represents 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 period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of primarily succeeding year property tax receivable.

**Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, disbursements exceeded the amount budgeted.

**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.

**Advertising Costs**

The Authority expense all advertising costs as they are incurred. Total advertising costs for the year ended June 30, 2007 and 2006 was \$86,621 and \$115,842, respectively.

**NOTE 2 CASH AND INVESTMENTS**

The Authority's deposits in banks at June 30, 2007 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 Commission; 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.

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

**NOTE 2 CASH AND INVESTMENTS (continued)**

The Authority's investments were as follows:

<u>Investment</u>	<u>Maturities</u>	<u>Fair value</u>
Fannie Mae Discount Note	09/28/07	\$ 493,750
Fannie Mae Discount Note	11/28/07	489,450
Fannie Mae Discount Note	12/28/07	<u>487,350</u>
		<u>\$1,470,550</u>

Credit Risk: The Authority's Fannie Mae Discount Notes investments at June 30, 2007 were rated Aaa by Moody's Investor Service.

Interest Rate Risk: The Authority's investment policy limits the investing of operating funds (defined as funds reasonably expected to be expended within fifteen months) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in instruments with maturities longer than 397 days, provided that the maturities are consistent with the needs and use of the Authority. The Authority's investments in debt securities mature within 397 days.

**NOTE 3 PROPERTY AND EQUIPMENT**

Property and equipment consists of the following:

	<u>July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2007</u>
Land	\$ 185,009	\$ -	\$ -	\$ 185,009
Buildings	8,880,379	378,050	3,713	9,254,716
Revenue equipment	26,927,815	4,911,469	1,077,930	30,761,354
Fare collection equipment	996,276	-	-	996,276
Service cars and trucks	569,703	4,116	68,604	505,215
Shop and garage equipment	470,360	71,431	8,628	533,163
Furniture and office equipment	363,190	4,168	4,023	363,335
Computer equipment	831,673	62,124	90,485	803,312
Miscellaneous equipment	374,600	2,035	55,787	320,848
Communication equipment	287,463	21,204	1,400	307,267
Paratransit vehicles	4,440,520	132,706	243,677	4,329,549
Rideshare vehicles	<u>1,925,926</u>	<u>608,828</u>	<u>544,798</u>	<u>1,989,956</u>
Total at historical cost	46,252,914	6,196,131	2,099,045	50,350,000
Less accumulated depreciation and amortization	<u>24,887,180</u>	<u>3,787,075</u>	<u>1,861,614</u>	<u>26,812,641</u>
Net property and equipment	<u>\$21,365,734</u>	<u>\$2,409,056</u>	<u>\$ 237,431</u>	<u>\$23,537,359</u>

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

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

	<u>July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2006</u>
Land	\$ 185,009	\$ —	\$ —	\$ 185,009
Buildings	8,508,989	378,857	7,467	8,880,379
Revenue equipment	26,887,125	64,880	24,190	26,927,815
Fare collection equipment	996,276	—	—	996,276
Service cars and trucks	529,316	102,804	62,417	569,703
Shop and garage equipment	483,228	8,464	21,332	470,360
Furniture and office equipment	353,434	15,271	5,515	363,190
Computer equipment	805,678	56,042	30,047	831,673
Miscellaneous equipment	490,658	—	116,058	374,600
Communication equipment	272,137	17,955	2,629	287,463
Paratransit vehicles	4,414,323	26,197	—	4,440,520
Rideshare vehicles	<u>1,859,552</u>	<u>387,859</u>	<u>321,485</u>	<u>1,925,926</u>
Total at historical cost	45,785,725	1,058,329	591,140	46,252,914
Less accumulated depreciation and amortization	<u>21,849,863</u>	<u>3,566,290</u>	<u>528,973</u>	<u>24,887,180</u>
Net property and equipment	<u>\$23,935,862</u>	<u>\$(2,507,961)</u>	<u>\$ 62,167</u>	<u>\$21,365,734</u>

At June 30, 2007 and 2006, revenue equipment includes transportation vehicles under capital lease with historical cost of \$4,440,004 and accumulated amortization of \$1,644,599 and \$1,276,147, respectively. Amortization expense for these assets totaled \$368,452 and \$368,432 for the years ended June 30, 2007 and 2006, 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, 2007:

The Authority has entered into an agreement to acquire 16 buses under a capital lease. The related liability under the lease at June 30, 2007 is \$910,940. The obligation is due in semiannual installments of \$72,549 through November, 2014. The interest rate at June 30, 2007 was 4.55%.

At June 30, 2007, future minimum lease payments are as follows:

2008	\$ 145,099
2009	145,099
2010	145,099
2011	145,099
2012	145,099
Thereafter	<u>362,745</u>
Total	1,088,240
Less amount representing interest	<u>177,300</u>
	910,940
Less current obligations under capital lease	<u>104,142</u>
Capital lease obligations, net of current obligations	<u>\$ 806,798</u>

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

**NOTE 4 CAPITAL LEASE (continued)**

A summary of changes in capital lease is as follows:

	<u>July 1, 2006</u>	<u>Additions</u>	<u>Payments</u>	<u>June 30, 2007</u>
Capital lease	\$ <u>1,010,543</u>	\$ <u>      —</u>	\$ <u>  99,603</u>	\$ <u> 910,940</u>
	<u>July 1, 2005</u>	<u>Additions</u>	<u>Payments</u>	<u>June 30, 2006</u>
Capital lease	\$ <u>3,640,085</u>	\$ <u>      —</u>	\$ <u>2,629,542</u>	\$ <u>1,010,543</u>

Payments were made in excess of current maturities of \$2,316,200 for the year ended June 30, 2006.

**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, 2007, 2006 and 2005, were \$454,173, \$448,307 and \$419,073, 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, 2007 and 2006 is \$117,375 and \$108,799, respectively. The Authority's policy is to fund the premiums as they come due. Consequently, the obligation at June 30, 2007 is unfunded. At June 30, 2007 and 2006 there were 12 retirees receiving benefits. Benefits paid were \$28,442 and \$48,271 for the years ended June 30, 2007 and 2006, respectively.

**Des Moines Regional 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, 2007 and 2006, the Authority had established reserves of \$757,500 and \$750,000, 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, 2007 and 2006:

	<b>2007</b>	<b>2006</b>
Accrued claims at beginning of year	\$ 750,000	\$ 575,000
Claims paid	(364,019)	(275,837)
Amount reserved	371,519	450,837
Accrued claims at end of year	\$ 757,500	\$ 750,000

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 NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STATEMENTS**

The Governmental Accounting Standards Board (GASB) has issued several statements not yet implemented by the Authority. The statements which will impact the Authority are as follows:

GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, issued April 2004, will be effective for the Authority beginning with its year ending June 30, 2008. This Statement establishes uniform financial reporting standards for other postemployment benefit plans (OPEB plans) and supersedes existing guidance.

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, issued June 2004, will be effective for the Authority beginning with its year ending June 30, 2009. This Statement establishes standards for the measurement, recognition and display of other postemployment benefit expenses and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports.

The Authority's management has not yet determined the effect these Statements will have on the Authority's financial statements.

**NOTE 10 SUBSEQUENT EVENT**

Subsequent to June 30, 2007 the Authority was involved in two incidents with pedestrians that may result in claims against the Authority. Management is unable to estimate the ultimate cost, if any, of the resolution of such potential claims.

**Des Moines Regional Transit Authority**  
**BUDGETARY COMPARISON SCHEDULE OF REVENUES,**  
**EXPENSES AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL**  
**Required Supplementary Information**  
**Year ended June 30, 2007**

	<u>Total actual</u>	<u>Budgeted amounts</u>		<u>Final to actual variance</u>
		<u>Original</u>	<u>Final</u>	
<b>REVENUES</b>	\$21,536,451	\$15,503,832	\$15,503,832	\$6,032,619
<b>EXPENSES</b>	<u>19,634,095</u>	<u>14,178,599</u>	<u>14,178,599</u>	<u>(5,455,496)</u>
Excess of revenues over expenses	1,902,356	1,325,233	1,325,233	577,123
<b>BALANCES</b> , beginning of year	<u>25,764,806</u>	<u>25,764,806</u>	<u>25,764,806</u>	<u>—</u>
<b>BALANCES</b> , end of year	<u>\$27,667,162</u>	<u>\$27,090,039</u>	<u>\$27,090,039</u>	<u>\$ 577,123</u>

See Accompanying Independent Auditor's Report.

**Des Moines Regional Transit Authority**  
**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING**  
**Year ended June 30, 2007**

In accordance with the Code of Iowa, the Authority Commission annually adopts a budget following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the budget and appropriations lapse at year end.

The Des Moines Regional Transit Authority's budget is prepared on the accrual basis which is consistent with generally accepted accounting principles. During the year ended June 30, 2007, expenses exceeded the amount budgeted.

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

	<u>Year ended June 30</u>	
	<u>2007</u>	<u>2006</u>
<b>COMMISSION DESIGNATED NET ASSETS</b>		
For fixed asset purchases		
Fixed route	\$1,168,814	\$1,904,884
Paratransit	513,037	436,114
Rideshare	708,976	471,900
Lease payments	—	18,871
Total for fixed asset purchases	<u>2,390,827</u>	<u>2,831,769</u>
Other		
Contributed capital	490,619	490,619
Liability claims	104,538	246,400
Contingency	50,000	50,000
Total other	<u>645,157</u>	<u>787,019</u>
Total commission designated net assets	<u>3,035,984</u>	<u>3,618,788</u>
<b>UNDESIGNATED NET ASSETS</b>		
Fixed route	1,567,847	1,503,643
Paratransit	281,973	191,802
Rideshare	154,939	95,382
Total undesignated net assets	<u>2,004,759</u>	<u>1,790,827</u>
Total unrestricted net assets	<u>\$5,040,743</u>	<u>\$5,409,615</u>
<b>UNRESTRICTED NET ASSETS—fixed route</b>		
Amount received as local assistance	\$4,994,025	\$4,885,554
Prior year funds applied to current year	500,000	600,000
Required local assistance (except paratransit)	(4,648,856)	(4,511,087)
Transferred to ADA funding	<u>(280,965)</u>	<u>(270,000)</u>
Current year balance from operations	<u>564,204</u>	<u>704,467</u>
Balance July 1	1,503,643	1,632,538
Transferred to fixed asset fund	—	(233,362)
Transferred to current year	<u>(500,000)</u>	<u>(600,000)</u>
Remaining prior year balance	<u>1,003,643</u>	<u>799,176</u>
Total municipal operating funds remaining	<u>\$1,567,847</u>	<u>\$1,503,643</u>

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

	<u>Year ended June 30</u>	
	<u>2007</u>	<u>2006</u>
<b>OPERATING REVENUES</b>		
Passenger revenue	\$ 2,546,349	\$ 2,429,433
Contracted service	<u>1,147,695</u>	<u>995,212</u>
Total operating revenues	<u>3,694,044</u>	<u>3,424,645</u>
<b>OPERATING EXPENSES</b>		
Transportation	6,730,163	6,611,170
Maintenance	2,647,743	2,551,299
Insurance	523,464	588,569
General and administration	891,603	719,013
Accounting	419,203	367,177
Planning	294,045	397,819
Personnel	245,131	299,279
Marketing	432,686	392,029
Advertising	57,850	74,101
Building and grounds	627,550	611,945
Paratransit (fixed route administrative charge/reimbursement)	97,529	(9,333)
Rideshare (fixed route administrative charge)	<u>(6,500)</u>	<u>(6,500)</u>
Operating expenses except depreciation	<u>12,960,467</u>	<u>12,596,568</u>
Operating loss before depreciation	(9,266,423)	(9,171,923)
<b>DEPRECIATION</b>	<u>2,880,114</u>	<u>2,768,865</u>
Operating loss including depreciation	<u>(12,146,537)</u>	<u>(11,940,788)</u>
<b>OTHER INCOME (EXPENSE)</b>		
Government operating assistance		
Member municipalities	-	4,615,554
Property tax	4,713,910	-
FTA operating assistance	2,537,455	2,573,271
IDOT operating assistance	793,001	789,443
IDOT special projects	8,368	4,916
FTA grant income	1,055,978	1,083,582
Gain (loss) on disposition of fixed assets	69,660	23,251
Interest income	105,199	157,548
Advertising income	206,770	212,347
Miscellaneous income	111,199	101,806
Interest expense	<u>(44,913)</u>	<u>(148,983)</u>
Total operating assistance and other income	<u>9,556,627</u>	<u>9,412,735</u>
Net loss after other income	<u>\$ (2,589,910)</u>	<u>\$ (2,528,053)</u>

See Accompanying Independent Auditor's Report.

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

	<u>Year ended June 30</u>	
	<u>2007</u>	<u>2006</u>
<b>OPERATING REVENUES</b>		
Service income		
Polk County	\$ 708,704	\$ 719,765
State	15,450	38,861
LINK	—	2,850
Fare paying clients	47,115	46,951
Service income, other	<u>1,168,192</u>	<u>906,356</u>
Total operating revenues	<u>1,939,461</u>	<u>1,714,783</u>
<b>OPERATING EXPENSES</b>		
Administrative wages	300,330	267,051
Mechanics wages	107,926	121,935
Drivers wages	919,638	856,541
Employee benefits	222,296	205,619
RTA staff assistance	182,181	159,706
Rent	18,000	18,000
Payroll taxes	181,671	167,399
Insurance	60,000	60,000
Fuel and lubricants	292,025	297,638
Maintenance and repairs	183,242	174,405
Printing	432	89
Contracted services, cabs	191,468	179,177
Legal and accounting	5,439	6,158
Data processing	14,800	14,800
Office expenses	5,919	3,163
Credit for interdivision services	(428,685)	(310,338)
Other	<u>22,600</u>	<u>36,995</u>
Total operating expenses	<u>2,279,282</u>	<u>2,258,338</u>
Operating loss before depreciation	(339,821)	(543,555)
<b>DEPRECIATION</b>	<u>466,167</u>	<u>408,798</u>
Operating loss including depreciation	<u>(805,988)</u>	<u>(952,353)</u>
<b>OTHER INCOME</b>		
Government operating assistance		
ADA subsidy	280,115	270,000
IDOT Transportation Fellowship	—	121,329
FTA grant income	193,609	134,881
FTA operating assistance	46,385	23,025
Advertising and other income	<u>9,883</u>	<u>8,263</u>
Total other income	<u>529,992</u>	<u>557,498</u>
Net loss after other income	<u>\$ (275,996)</u>	<u>\$ (394,855)</u>

See Accompanying Independent Auditor's Report.

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

	<b>Year ended June 30</b>	
	<b>2007</b>	<b>2006</b>
<b>OPERATING REVENUES</b>	<b>\$ 676,953</b>	<b>\$ 526,127</b>
<b>OPERATING EXPENSES</b>		
Wages and benefits	107,638	88,286
Service contracts	5,352	3,654
Travel	1,189	508
Professional fees	3,613	4,000
Office supplies	455	52
Van miscellaneous	577	2,123
Administrative miscellaneous	4,619	2,984
Office rent	6,500	6,500
Promotional events	5,833	4,491
Van phones	9,655	9,168
Insurance	82,194	82,475
Maintenance and repairs	60,670	77,554
Gas and oil	268,180	173,367
Drug screening	9,020	9,019
Van personal use	<u>(3,137)</u>	<u>(2,185)</u>
Total operating expenses	<u>562,358</u>	<u>461,996</u>
Operating income before depreciation	114,595	64,131
<b>DEPRECIATION</b>	<u>440,794</u>	<u>388,627</u>
Operating loss including depreciation	<u>(326,199)</u>	<u>(324,496)</u>
<b>OTHER INCOME</b>	<u>4,963</u>	<u>4,662</u>
Net loss after other income	<u>\$ (321,236)</u>	<u>\$ (319,834)</u>

See Accompanying Independent Auditor's Report.

**Des Moines Regional Transit Authority**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year ended June 30, 2007**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
Direct		
Department of Transportation/Federal Transit Administration		
Federal Transit Cluster		
Federal Transit Capital Investment Grants	20.500	\$ 47,940
Federal Transit Formula Grants	20.507	<u>8,198,186</u>
Total Federal Transit Cluster		8,246,126
Indirect		
Iowa Department of Transportation		
Department of Transportation/Federal Transit Administration		
Federal Transit Cluster		
Federal Transit Capital Investment Grants	20.500	86,009
Total Federal Transit Cluster - indirect		
Federal Transit Job Access - Reverse Commute	20.516	378,765
Federal Transit Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	140,280
Highway Planning and Construction	20.205	<u>43,764</u>
Total indirect		<u>648,818</u>
Total federal expenditures		<u>\$8,894,944</u>

**BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Des Moines Regional 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 Commission  
Des Moines Regional Transit Authority  
Des Moines, Iowa

We have audited the financial statements of Des Moines Regional Transit Authority as of and for the year ended June 30, 2007, and have issued our report thereon dated September 20, 2007. 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 Regional Transit Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Des Moines Regional Transit Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Des Moines Regional Transit Authority's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We noted no matters involving the internal control over financial reporting and its operation that we consider a significant deficiency or material weakness.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Des Moines Regional Transit Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood a misstatement of Des Moines Regional Transit Authority's financial statements that is more than inconsequential will not be prevented or detected by Des Moines Regional Transit Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Des Moines Regional Transit Authority's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Des Moines Regional 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*. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the Authority's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Authority. 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.

Des Moines Regional Transit Authority's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the Authority's responses, we did not audit Des Moines Regional Transit Authority's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials and employees of the Des Moines Regional Transit Authority and other parties to whom the Authority may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

  
DENMAN & COMPANY, LLP

West Des Moines, Iowa  
September 20, 2007

**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 Commission  
Des Moines Regional Transit Authority  
Des Moines, Iowa

**Compliance**

We have audited the compliance of Des Moines Regional 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, 2007. The Des Moines Regional Transit Authority's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of the Des Moines Regional Transit Authority's management. Our responsibility is to express an opinion of the Des Moines Regional 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 Regional Transit Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Des Moines Regional Transit Authority's compliance with those requirements.

In our opinion, the Des Moines Regional 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, 2007.

**Internal Control Over Compliance**

The management of Des Moines Regional 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 Regional 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Des Moines Regional Transit Authority's internal control over compliance.

A control deficiency in the Authority's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by Authority's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Des Moines Regional Transit Authority's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the Authority's responses, we did not audit Des Moines Regional Transit Authority's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials and employees of the Des Moines Regional Transit Authority and other parties to whom the Des Moines Regional Transit Authority may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

  
**DENMAN & COMPANY, LLP**

West Des Moines, Iowa  
September 20, 2007

**Des Moines Regional Transit Authority**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year ended June 30, 2007**

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

- (a) An unqualified opinion was issued on the financial statements.
- (b) No significant deficiencies 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 significant deficiencies in internal controls over major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to major programs.
- (f) The audit disclosed no audit findings which 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
- (h) The dollar threshold used to distinguish between type A and B programs was \$300,000.
- (i) The Des Moines Regional 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.

**Significant Deficiencies**

No matters were noted.

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

**Instances of Non-Compliance**

No matters were noted.

**Significant Deficiencies**

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

**Des Moines Regional Transit Authority  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year ended June 30, 2007**

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

**IV-A-07** **Certified Budget** - Disbursements during the year ended June 30, 2007 exceeded the amount budgeted. Chapter 384.20 of the Code of Iowa states, in part, that public monies may not be expended or encumbered except under an annual or continuing appropriation.

**Recommendation** - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

**Response** - The budget will be amended in the future, if applicable.

**Conclusion** - Response accepted.

**IV-B-07** **Questionable Disbursements** - No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

**IV-C-07** **Travel Expense** - No disbursements of Authority money for travel expenses of spouses of City officials or employees were noted.

**IV-D-07** **Business Transactions** - Business transactions between the Authority and Authority officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Scott Belcher, employee, Owner of Die-Cash Display Case Co.	Bus schedule/flyer cases	\$2,407

The transaction with the employee does not appear to represent a conflict of interest since it was not required to be entered into through competitive bidding in accordance with Chapter 362.5(5) of the Code of Iowa.

**IV-E-07** **Bond Coverage** - Surety bond coverage of Authority officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.

**IV-F-07** **Commission Minutes** - No transactions were found that we believe should have been approved in the Commission minutes but were not.

The Commission went into closed session on December 19, 2006 and January 30, 2007. However, the minutes record did not document the vote of the members regarding the closed session required by Chapter 21 of the Code of Iowa, commonly known as the open-meeting law.

Although minutes of Commission proceedings were published, proper public notice was not published as required by Chapter 21.4 of the Code of Iowa.

**Recommendation** - The City should comply with Chapter 21 of the Code of Iowa and should precede Commission meetings with proper public notice as required.

**Response** - We will comply with the Code requirements for closed sessions. We will precede our meetings with public notice as required.

**Conclusion** - Response accepted.

**Des Moines Regional Transit Authority**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year ended June 30, 2007**

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

**IV-G-07** **Deposits and Investments** - No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the Commission's investment policy were noted.