

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

FINANCIAL REPORT

June 30, 2008

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**Des Moines Area Regional Transit Authority
OFFICIALS**

<u>Name and Title</u>	<u>Representing</u>
COMMISSION	
Skip Conkling, Chair	Region 1 - Altoona, Mitchellville, Runnells, Bondurant
Angela Connolly, Vice Chair	At-Large
Ted Boesen, Jr., Secretary/Treasurer	Region 6 - Des Moines, Pleasant Hill, Carlisle
Robert Parks, Member	Region 2 - West Des Moines, Windsor Heights, Clive
Christine Hensley, Member	Region 3 - Des Moines
Tom Gayman, 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
AUTHORITY	
Brad Miller, General Manager	

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying balance sheets of Des Moines Area Regional Transit Authority as of June 30, 2008 and 2007 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 Area Regional Transit Authority as of June 30, 2008 and 2007, 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 January 28, 2009, on our consideration of the Des Moines Area 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 6-11 and 25-26 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 27-31 on the contents page are presented for purposes of additional analysis and are not a required part of the basic financial statements and includes the 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 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
January 28, 2009

Des Moines Area Regional Transit Authority
Management's Discussion and Analysis
Year Ended June 30, 2008

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, 2008. Please read it in conjunction with DART's financial statements following, which begin on page 13.

FINANCIAL HIGHLIGHTS

- Total Assets increased \$ 764,035 for the (12) month period ending June 30, 2008.
 - Additions to Capital Assets totaled \$2,832k. Major purchases are outlined in the Capital Assets section later.
 - Total Property Plant and Equipment decreased \$975k.
 - FY2007 Investments matured and are stated as additions to Cash. FY2008 restricted assets of \$801,112 are the undrawn lease funds for a portion of the funding for the new financial and maintenance software.
 - Trade Account Receivable is up significantly due to a \$400,000 receivable from the City of Des Moines and \$ 237,000 representing (3) months past due for the Paratransit services to Medicaid beneficiaries due to a software upgrade delay.
 - Inventories increased \$501k for a 210,000 gallon bulk purchase of diesel fuel to be consumed in FY2009.
 - Current assets increased.

▪ Cash and Cash Equivalents increased	\$ 854k
▪ Certificates of Deposit decreased	\$1,024k
▪ Investments decreased	\$1,471k
▪ Trade Accounts Receivable increased	\$ 710k
▪ Federal Grant Receivables increased	\$ 733k
▪ State Grant Receivables decreased	\$ 12k
▪ Property Taxes Receivables increased	\$ 675k
▪ Inventories increased	\$ 501k
- Total Liabilities increased \$2,796,908
 - Current Liabilities rose \$2,248,669 which includes a new capital lease for the software conversion project and a significant increase in the self insurance reserve for pending claims :

▪ Current lease obligations increased	\$ 155k
▪ Reserves for Accident Claims increased	\$ 1,242k
▪ Deferred property taxes increased	\$ 675k
 - Long-term Liabilities increased \$ 548,239 due to a new capital lease obligation to Bank of the West for a portion of the new software system, and an increase in post retirement-liability.
- Total Net Assets decreased by \$ 2,033k in the unrestricted allocation due to the losses incurred mostly from fuel, parts, and labor overages.

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

	<u>2008</u>	<u>2007</u>	<u>2006</u>
CURRENT AND OTHER ASSETS	14,187,611	12,448,369	7,753,303
CAPITAL ASSETS, NET OF DEPRECIATION	<u>22,562,152</u>	<u>23,537,359</u>	<u>21,365,734</u>
TOTAL ASSETS	36,749,763	35,985,728	29,119,037
CURRENT LIABILITIES	9,672,227	7,423,558	2,696,649
LONG-TERM LIABILITIES	<u>1,443,247</u>	<u>895,008</u>	<u>657,582</u>
TOTAL LIABILITIES	11,115,474	8,318,566	3,354,231
INVESTED IN CAPITAL ASSETS*	21,755,354	22,626,419	20,355,191
RESTRICTED	13,392	-	-
BOARD DESIGNATED RESERVES	2,695,167	3,277,195	3,618,788
UNRESTRICTED NET ASSETS	<u>1,170,376</u>	<u>1,763,548</u>	<u>1,790,827</u>
TOTAL NET ASSETS	<u>25,634,289</u>	<u>27,667,162</u>	<u>25,764,806</u>
TOTAL LIABILITIES AND NET ASSETS	<u>36,749,763</u>	<u>35,985,728</u>	<u>29,119,037</u>

*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.

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

	2008	2007	2006
OPERATING REVENUES			
Passenger fares	3,443,336	3,270,417	3,058,157
Other fares	3,253,437	3,040,041	2,607,398
NON-OPERATING REVENUES	<u>12,304,372</u>	<u>10,091,582</u>	<u>9,974,895</u>
TOTAL REVENUES	19,001,145	16,402,040	15,640,450
OPERATING EXPENSES	19,575,608	15,802,107	15,316,902
DEPRECIATION	<u>3,738,102</u>	<u>3,787,075</u>	<u>3,566,290</u>
TOTAL EXPENSES	23,313,710	19,589,182	18,883,192
Funds received for Capital Purchases	2,279,692	5,089,498	3,073,514
CHANGE IN NET ASSETS	<u>(2,032,873)</u>	<u>1,902,356</u>	<u>(169,228)</u>

YEAR-TO-YEAR COMPARISON

FY2008, Fixed Route increased in ridership by 11.4%, RideShare expanded for an increase of 19.5%, and Paratransit service decreased by -5.3%. Passenger Fares are up 5% over FY2007 which correlates to the increase in ridership and Unlimited Access Contracts. Other Operating Revenues increased by 7%. Total Operating Revenues increased 6% over last year.

The double digit increase in Fixed Route ridership occurred at a time of record high fuel prices, harsh winter weather, and the expansion of the Unlimited Access Program.

Paratransit ridership decreased slightly but reported 11% increase in operating revenues.

Ride Share also had an 11% increase in passenger fare revenue.

- 92 vans were in operation at year-end compared to 77 vans last year.
- Average fare was up 37%, \$849 FY2008 as compared to \$620 FY2007.

Non-operating revenues increased 22%.

- Property Tax Revenue is up 12% from increased property valuations.
- Federal support for operating expenses increased 2%.
- State Operating Assistance increased by 17%.
- Advertising Revenue increased 15%.

Operating Expenses were 24% higher than the prior year.

Fixed Route had a 25% increase or \$ 3,279,861 in operating expense:

- Diesel fuel increased 28% above the prior year's expense.
- Instructor Wages increased due to the high turnover rate and new driver training.
- Operators Wages and Benefits increased 15% over FY2007 as a result of longer hours for part time drivers and higher overtime as a result of turnover, weather, and flooding.
- Vehicle Maintenance Parts increased 38% over last year due to cost escalations and higher incidence of major vehicle repairs like transmissions and engines. Direct repair costs increased from a greater utilization of outside contract labor for services like air condition repairs and service.
- General costs were up due to insurance claims paid out and flood evacuation related expenses. The liability for self insurance reserve increased 164% for pending claims.

Paratransit expenses increased 13.5% over FY2007:

- Revenue Vehicle Repair costs were up 27% over last year as a result of increased number of high cost repairs on engines and transmissions.
- Fuel costs were up 21% over last year.

RideShare had an increase in expenses over the previous year of 33%:

- Unleaded Fuel Costs were up 24% over FY2007.
- Van Maintenance and Repair costs increased 102% over FY2007 due to the utilization of an older fleet for expansion requirements as a result of the rising fuel costs and harsh winter conditions.
- Overhead allocations were implemented in FY2008 and represents a \$57,908 increase in costs

BUDGETARY HIGHLIGHTS

DART adopts a separate budget for all three operating divisions.

Actual results compared to adopted budgets:

- Fixed Route
 - Passenger Fares were 7% below budget
 - Contracted Service was 51% over budget due to the growth in the ESP program and the Downtown Shuttle service.
 - Total Operating Revenues were 7% over budget.
 - Other Revenue Advertising was 14% over budget.
 - Operating Expenses were 10% over the adopted budget.
 - The major contributors to the budgetary overage are the increased need for liability reserve for pending claims, vehicle maintenance and repairs for an aging fleet, and supervisor training for new drivers and a high turnover rate.
- Paratransit
 - Operating Revenue was slightly below budget. The number of trips was less than projected due to agency funding constraints.
 - Operating Expenses were 2% over budget. Vehicle Repair costs for an aging fleet is the major cause for the overage.
- RideShare
 - Operating Revenue was 2% over budget due to the increase in ridership from the high fuel costs.
 - Operating Expenses were 1.5% over budget from the increase in vehicle repairs with the aging fleet and accidents from the winter weather.

CAPITAL ASSET AND DEBT ADMINISTRATION

As of June 30, 2008 DART has invested approximately \$22 million in capital assets, net of depreciation. This amount is a decrease of \$ 975k from June 30, 2007.

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

	2008	2007	2006
LAND	\$ 185,009	\$ 185,009	\$ 185,009
BUILDINGS & IMPROVEMENTS	4,736,368	4,883,998	4,916,570
REVENUE VEHICLES & EQUIPMENT	16,404,385	17,909,459	15,544,634
EQUIPMENT	1,236,390	558,893	719,521
TOTALS	\$22,562,152	\$23,537,359	\$21,365,734

- o Additions to Capital Assets totaled \$2,832,356. Major purchases were:
 - RideShare vans (15) \$ 329k
 - Upgrades for buildings and property \$ 123k
 - Paratransit buses (3) \$ 203k
 - Shop Equipment, Miscellaneous \$ 118k
 - Computer hardware and software \$1,085k
 - Fixed route buses (4) \$ 973k
- o Disposals from Capital totaled \$514k. Retired assets included Revenue, Miscellaneous, and Computer Equipment.
- o DART has a fixed-route fleet of 131 vehicles with an average age of 7.77 years, and a Paratransit fleet of 28 vehicles with an average age of 5.71 years.

Debt Administration

- Five 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.
- DART secured a new (5) year \$800,000 capital lease with Bank of the West as funding for a portion of the new software system.
- DART secured two lines of credit totaling \$2,000,000 for operating costs and advance fuel purchases.

Current Liabilities include;

- Reserves committed to known liability claims (\$1,915k). This is a significant increase of \$1,151k over FY2007, due to the nature of the pending claims. The company self insures accidents for the first \$2 million and carries an umbrella liability policy for \$10 million. DART completed an actuary study and revised the methodology for the liability reserve requirement. DART will budget to have reserve (1) for the recommended base for normal course of business claims, reserve (2) for the current pending claims and reserve (3) for future catastrophe events.
- Post-retirement Obligations totaled \$135,521 at June 30, 2008, an increase of \$18,146 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

For the FY2010 budget, DART Commission is working on service expansion for the Clive/Johnston/Grimes areas and a revised tax levy formula as required by the 28M agreement. The new levy formula will incorporate regionalism for the transit system and guidelines for new members.

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 increase each year. The ATU agreed to a four year contract with a 3% wage increase each year. The Paratransit labor agreement expires June 30, 2009. DART staff along with McDonald Transit is working to negotiate and adopt a phased in parity of wages for the Paratransit drivers in a (5) year agreement, effective July 1, 2009.

With the continued unpredictability of fuel costs, DART has purchased 210,000 gallons of fuel and several future contracts for FY2009 and FY2010 to stabilize the volatility of the costs.

In conclusion, DART expects operating costs to continue to rise in the current economic environment.

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.

FINANCIAL STATEMENTS

**Des Moines Area Regional Transit Authority
BALANCE SHEETS**

	June 30	
ASSETS	2008	2007
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,158,066	\$ 2,304,352
Certificates of deposit	-	1,023,794
Investments	-	1,470,550
Accounts receivable		
Trade (less allowance for doubtful accounts 2008 \$10,817, 2007 \$-0-)	1,391,774	681,670
FTA	1,331,545	597,914
Other	7,188	18,810
Property tax receivable		
Succeeding year	5,808,744	5,133,627
Delinquent	68,410	60,068
Inventories	1,455,831	954,895
Prepaid expenses	164,941	202,689
Restricted assets for acquisition of software, cash equivalent	<u>801,112</u>	<u>-</u>
Total current assets	<u>14,187,611</u>	<u>12,448,369</u>
PROPERTY AND EQUIPMENT		
Less accumulated depreciation and amortization	<u>52,668,520</u>	<u>50,350,000</u>
Total property and equipment	<u>30,106,368</u>	<u>26,812,641</u>
	<u>22,562,152</u>	<u>23,537,359</u>
 Total assets	 <u>\$36,749,763</u>	 <u>\$35,985,728</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current obligations of capital leases	\$ 259,132	\$ 104,142
Current obligations of post retirement benefits payable	27,661	29,165
Accounts payable	638,081	507,479
Accrued and withheld payroll, payroll taxes and benefits	873,257	826,483
Succeeding year property taxes	5,808,744	5,133,627
Deferred revenue	60,012	59,822
Accrued interest payable	5,340	5,340
Accrued self insurance claims	<u>2,000,000</u>	<u>757,500</u>
Total current liabilities	<u>9,672,227</u>	<u>7,423,558</u>
LONG-TERM LIABILITIES		
Capital leases, less current obligations	1,335,387	806,798
Post retirement benefits payable, less current obligations	<u>107,860</u>	<u>88,210</u>
Total long-term liabilities	<u>1,443,247</u>	<u>895,008</u>
Total liabilities	<u>11,115,474</u>	<u>8,318,566</u>
NET ASSETS		
Invested in capital assets, net of related debt	21,755,354	22,626,419
Restricted	13,392	-
Unrestricted	<u>3,865,543</u>	<u>5,040,743</u>
Total net assets	<u>25,634,289</u>	<u>27,667,162</u>
 Total liabilities and net assets	 <u>\$36,749,763</u>	 <u>\$35,985,728</u>

See Notes to Financial Statements.

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

	<u>Year ended June 30, 2008</u>			<u>Total</u>	<u>Year ended</u>
	<u>Fixed route</u>	<u>Paratransit</u>	<u>Rideshare</u>	<u>2008</u>	<u>June 30,</u>
					<u>2007</u>
OPERATING REVENUES	\$ 4,051,580	\$1,892,160	\$ 753,033	\$ 6,696,773	\$ 6,310,458
OPERATING EXPENSES (EXCEPT DEPRECIATION AND AMORTIZATION)	<u>16,240,328</u>	<u>2,587,651</u>	<u>747,629</u>	<u>19,575,608</u>	<u>15,802,107</u>
Operating income (loss) before depreciation and amortization	(12,188,748)	(695,491)	5,404	(12,878,835)	(9,491,649)
DEPRECIATION AND AMORTIZATION	<u>2,991,940</u>	<u>349,103</u>	<u>397,059</u>	<u>3,738,102</u>	<u>3,787,075</u>
Operating loss including depreciation and amortization	(15,180,688)	(1,044,594)	(391,655)	(16,616,937)	(13,278,724)
OTHER INCOME (EXPENSE)					
Government operating assistance					
Member municipalities	800,000	354,478	-	1,154,478	280,115
Property tax	5,289,006	-	-	5,289,006	4,713,910
FTA operating assistance	2,446,549	185,304	-	2,631,853	2,583,840
IDOT operating assistance	927,044	-	-	927,044	793,001
IDOT special projects	15,089	-	-	15,089	8,368
FTA grant income	1,704,044	138,632	-	1,842,676	1,249,587
Gain on disposition of fixed assets	31,937	-	-	31,937	69,660
Investment income	109,393	-	-	109,393	105,199
Advertising income	240,260	5,850	-	246,110	213,725
Miscellaneous income (expense)	95,147	(187)	2,783	97,743	119,090
Interest expense	(40,957)	-	-	(40,957)	(44,913)
Total other income	<u>11,617,512</u>	<u>684,077</u>	<u>2,783</u>	<u>12,304,372</u>	<u>10,091,582</u>
Net (loss) before capital revenues	\$ <u>(3,563,176)</u>	\$ <u>(360,517)</u>	\$ <u>(388,872)</u>	(4,312,565)	(3,187,142)
Capital revenue from federal grants and member municipalities				<u>2,279,692</u>	<u>5,089,498</u>
Increase (decrease) in net assets				(2,032,873)	1,902,356
NET ASSETS, beginning				<u>27,667,162</u>	<u>25,764,806</u>
NET ASSETS, ending				<u>\$25,634,289</u>	<u>\$27,667,162</u>

See Notes to Financial Statements.

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

	Year ended June 30	
	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from operations	\$ 5,990,139	\$ 6,518,684
Cash paid to suppliers for goods and services	(9,514,964)	(7,519,338)
Cash paid to employees for services	(9,078,039)	(8,168,601)
Net cash (used in) operating activities	(12,602,864)	(9,169,255)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Municipal support	1,154,478	280,115
Property taxes received	5,280,664	4,653,842
Other government assistance	5,470,233	5,320,788
Cash received from other sources	343,853	332,815
Net cash provided by noncapital financing activities	12,249,228	10,587,560
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of certificates of deposit	(1,000,000)	(500,000)
Proceeds from sale of certificate of deposit	2,074,625	1,050,920
Purchase of government securities	-	(1,464,947)
Proceeds from sale of government securities	1,500,000	-
Interest received	29,112	65,189
Net cash provided by (used in) investing activities	2,603,737	(848,838)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Federal, state and municipal funds received for capital expenditures	1,500,832	4,874,171
Proceeds on disposition of fixed assets	40,048	307,091
Interest paid	(40,957)	(45,496)
Purchase of property and equipment	(2,778,777)	(6,490,325)
Proceeds from capital lease	800,000	-
Principal payments on capital lease	(116,421)	(99,603)
Net cash (used in) capital and related financing activities	(595,275)	(1,454,162)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,654,826	(884,695)
CASH AND CASH EQUIVALENTS		
Beginning	2,304,352	3,189,047
Ending	\$ 3,959,178	\$ 2,304,352

See Notes to Financial Statements.

**Des Moines Area Regional Transit Authority
STATEMENTS OF CASH FLOWS (continued)**

	Year ended June 30	
	2008	2007
RECONCILIATION OF OPERATING (LOSS) TO NET CASH (USED IN) OPERATING ACTIVITIES		
(Loss) from operations	\$(16,616,937)	\$(13,278,724)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities		
Depreciation and amortization	3,738,102	3,787,075
(Increase) decrease in accounts receivable, net of noncapital financing activities	(706,824)	202,129
(Increase) in inventories	(500,936)	(48,160)
(Increase) decrease in prepaid expenses	37,748	(56,663)
Increase in accounts payable, net of amounts for property and equipment	138,373	150,326
Increase in accrued and withheld payroll, payroll taxes and benefits	46,774	52,590
Increase in deferred revenue	190	6,096
Increase in accrued self insurance claims	1,242,500	7,500
Increase in post retirement benefits payable	<u>18,146</u>	<u>8,576</u>
Net cash (used in) operating activities	<u>\$(12,602,864)</u>	<u>\$(9,169,255)</u>
RECONCILIATION OF CASH PER STATEMENTS OF CASH FLOWS TO THE BALANCE SHEETS		
Per balance sheets		
Cash	\$ 3,158,066	\$ 2,304,352
Restricted cash for acquisition of software	<u>801,112</u>	<u>—</u>
Total per statements of cash flows	<u>\$ 3,959,178</u>	<u>\$ 2,304,352</u>

See Notes to Financial Statements.

Des Moines Area 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 Area 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, 2008 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 three 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. Unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same fund equity component as the unspent proceeds.

Restricted net assets

Restricted net assets consists of funds restricted on which constraints have been externally imposed by creditors (such as through capital lease obligations) grantors, contributors, or laws or regulations of other governments.

Unrestricted

Unrestricted net assets have no externally imposed restrictions on use.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 and software	3 - 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, 2008 and 2007, 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 primarily of 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, 2008, 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 expenses all advertising costs as they are incurred. Total advertising costs for the year ended June 30, 2008 and 2007 was \$143,232 and \$86,621, respectively.

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

NOTE 2 CASH AND INVESTMENTS

The Authority's deposits in banks at June 30, 2008 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.

The Authority's investments reported as cash equivalents were as follows:

<u>Investment</u>	<u>Maturity</u>	<u>Fair value</u>
Goldman Sacs Financial Square Money Market Funds, Treasury Obligations	NA	\$ <u>801,112</u>

Credit Risk: The Authority's Money Market Fund Treasury Obligations at June 30, 2008 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 mature within 397 days.

NOTE 3 PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2008</u>
Land	\$ 185,009	\$ -	\$ -	\$ 185,009
Buildings	9,254,716	123,078	64,768	9,313,026
Revenue equipment	30,761,354	973,416	2,112	31,732,658
Fare collection equipment	996,276	8,305	-	1,004,581
Service cars and trucks	505,215	-	23,902	481,313
Shop and garage equipment	533,163	93,636	24,346	602,453
Furniture and office equipment	363,335	-	1,540	361,795
Computer equipment	803,312	721,393	35,325	1,489,380
Miscellaneous equipment	320,848	16,500	28,436	308,912
Communication equipment	307,267	363,454	703	670,018
Paratransit vehicles	4,329,549	203,224	290,582	4,242,191
Rideshare vehicles	<u>1,989,956</u>	<u>329,350</u>	<u>42,122</u>	<u>2,277,184</u>
Total at historical cost	50,350,000	2,832,356	513,836	52,668,520
Less accumulated depreciation and amortization	<u>26,812,641</u>	<u>3,738,102</u>	<u>444,375</u>	<u>30,106,368</u>
Net property and equipment	<u>\$23,537,359</u>	<u>\$ (905,746)</u>	<u>\$ 69,461</u>	<u>\$22,562,152</u>

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

NOTE 3 PROPERTY AND EQUIPMENT (continued)

	<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>

At June 30, 2008 and 2007, revenue equipment includes transportation vehicles under capital lease with historical cost of \$4,440,004 and accumulated amortization of \$2,013,051 and \$1,644,599, respectively. Amortization expense for these assets totaled \$368,452 for the years ended June 30, 2008 and 2007.

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 ASSETS RESTRICTED FOR ACQUISITION OF SOFTWARE

Assets restricted for software are required by the lease agreement acquisition fund and account control agreement to be used only for the cost of acquiring software for the Authority or for repayment of the capital lease. The acquisition fund was created on May 27, 2008 with a deposit of \$800,000. At June 30, 2008 no amounts have been disbursed from this fund, and interest of \$1,112 has been added for an ending balance of \$801,112.

NOTE 5 CAPITAL LEASES

Capital leases consisted of the following as of June 30, 2008:

An agreement to acquire 16 buses under a capital lease. The related liability under the lease at June 30, 2008 is \$806,799. The obligation is due in semiannual installments of \$72,549 through November, 2014. The interest rate at June 30, 2008 was 4.55%.

An agreement to finance the acquisition of software under a capital lease. The related liability under the lease at June 30, 2008 is \$787,720. The obligation is due in monthly installments of \$14,485 through May, 2013. The interest rate at June 30, 2008 was 3.31%.

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

NOTE 5 CAPITAL LEASES (continued)

At June 30, 2008, future minimum lease payments are as follows:

2009	\$ 318,913
2010	318,913
2011	318,913
2012	318,913
2013	304,428
Thereafter	<u>217,646</u>
Total	1,797,726
Less amount representing interest	<u>203,207</u>
	1,594,519
Less current obligations under capital lease	<u>259,132</u>
Capital lease obligations, net of current obligations	<u>\$1,335,387</u>

A summary of changes in capital leases are as follows:

	<u>July 1, 2007</u>	<u>Additions</u>	<u>Payments</u>	<u>June 30, 2008</u>
Capital lease	\$ <u>910,940</u>	\$ <u>800,000</u>	\$ <u>116,421</u>	\$ <u>1,594,519</u>
	<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>

NOTE 6 LINE OF CREDIT

The Authority maintains an \$800,000 revolving line of credit and a \$1,200,000 advised guidance line of credit for the sole purpose of bulk diesel fuel purchases with a bank which matures December 31, 2008, and is renewable annually unless the Authority and bank mutually decline. Interest is payable monthly at prime, 6.0% as of June 30, 2008. The notes are unsecured. At June 30, 2008 the outstanding balances on the lines of credit were \$-0-.

NOTE 7 ACCOUNTS RECEIVABLE—FTA

Accounts receivable—FTA is capital grant and planning funds due from the Federal Transit Authority (FTA).

NOTE 8 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 3.90% of their annual salary and the Authority is required to contribute 6.05% of annual covered payroll. Contribution requirements are established by State statute. The Authority's contribution to IPERS for the years ended June 30, 2008, 2007 and 2006, were \$533,138, \$454,173 and \$448,307, respectively, equal to the required contributions for each year.

Des Moines Area Regional Transit Authority
NOTES TO FINANCIAL STATEMENTS

NOTE 9 DEFINED CONTRIBUTION PLAN

The Authority began a defined contribution plan covering all eligible employees who agree to make contributions to the Plan beginning July 1, 2007. The Authority made a contribution to the Plan for 2008 that matches participant's contributions to the Plan up to 7%, of the individual participant's eligible compensation. Total expense for the year ended June 30, 2008 was \$25,854.

NOTE 10 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, 2008 and 2007 is \$135,521 and \$117,375, respectively. The Authority's policy is to fund the premiums as they come due. Consequently, the obligation at June 30, 2008 is unfunded. At June 30, 2008 and 2007 there were 12 retirees receiving benefits. Benefits paid were \$47,653 and \$28,442 for the years ended June 30, 2008 and 2007, respectively.

NOTE 11 RISK MANAGEMENT

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.

The Authority is partially self-insured with respect to general liability insurance. The Authority purchases an umbrella insurance policy with a \$2,000,000 retained limit per occurrence and \$10,000,000 aggregate limit with regard to their general liability insurance.

At June 30, 2008 and 2007, the Authority had established reserves of \$2,000,000 and \$757,500, respectively, for 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. Additionally, other claims have been asserted against the Authority in the ordinary course of business. Management is unable to estimate the cost of these claims or determine a range of loss and, accordingly, no accrual has been made for them.

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

NOTE 11 RISK MANAGEMENT (continued)

The following is a summary of claims paid and liabilities recorded for the years ended June 30, 2008 and 2007:

	2008	2007
Accrued claims at beginning of year	\$ 757,500	\$ 750,000
Claims paid	(721,060)	(364,019)
Amount reserved	<u>1,963,560</u>	<u>371,519</u>
Accrued claims at end of year	<u>\$2,000,000</u>	<u>\$ 757,500</u>

NOTE 12 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. 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.

GASB Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations, issued November, 2006, will be effective for the Authority beginning with its year ending June 30, 2009. This Statement establishes accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups.

GASB Statement No. 51, Accounting and Financial Reporting for Intangible Assets, will be effective for the Authority beginning with its year ending June 30, 2010. This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets.

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

NOTE 13 SUBSEQUENT EVENT

Credit Risk: Subsequent to year end the Authority's Money Market Fund Treasury Obligations were downgraded to Aa3 by Moody's Investor Service.

**Des Moines Area Regional Transit Authority
 BUDGETARY COMPARISON SCHEDULE OF REVENUES,
 EXPENSES AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL
 Required Supplementary Information
 Year ended June 30, 2008**

	<u>Total actual</u>	<u>Budgeted amounts</u>		<u>Final to actual variance</u>
		<u>Original</u>	<u>Final</u>	
REVENUES	\$21,321,981	\$14,457,508	\$14,457,508	\$6,864,473
EXPENSES	<u>23,354,854</u>	<u>14,844,501</u>	<u>14,844,501</u>	<u>8,510,353</u>
Excess of revenues (under) expenses	(2,032,873)	(386,993)	(386,993)	(1,645,880)
BALANCES , beginning of year	<u>27,667,162</u>	<u>27,667,162</u>	<u>27,667,162</u>	<u>—</u>
BALANCES , end of year	<u>\$25,634,289</u>	<u>\$27,280,169</u>	<u>\$27,280,169</u>	<u>\$(1,645,880)</u>

Des Moines Area Regional Transit Authority
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
Year ended June 30, 2008

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 Area 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, 2008, expenses exceeded the amount budgeted.

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

	Year ended June 30	
	2008	2007
COMMISSION DESIGNATED NET ASSETS		
For fixed asset purchases		
Fixed route	\$ 974,304	\$1,168,814
Paratransit	530,137	513,037
Rideshare	707,107	708,976
Total for fixed asset purchases	<u>2,211,548</u>	<u>2,390,827</u>
Other		
Contributed capital	490,619	490,619
Liability claims	-	104,538
Contingency	-	50,000
Total other	<u>490,619</u>	<u>645,157</u>
Total commission designated net assets	<u>2,702,167</u>	<u>3,035,984</u>
UNDESIGNATED NET ASSETS		
Fixed route	585,759	1,567,847
Paratransit	343,386	281,973
Rideshare	234,231	154,939
Total undesignated net assets	<u>1,163,376</u>	<u>2,004,759</u>
Total unrestricted net assets	<u>\$3,865,543</u>	<u>\$5,040,743</u>

See Accompanying Independent Auditor's Report.

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

	<u>Year ended June 30</u>	
	<u>2008</u>	<u>2007</u>
OPERATING REVENUES		
Passenger revenue	\$ 2,638,072	\$ 2,546,349
Contracted service	<u>1,413,508</u>	<u>1,147,695</u>
Total operating revenues	<u>4,051,580</u>	<u>3,694,044</u>
OPERATING EXPENSES		
Transportation	8,319,023	6,730,163
Maintenance	3,182,360	2,647,743
Insurance	1,965,907	523,464
General and administration	839,400	891,603
Accounting	452,671	419,203
Planning	384,505	294,045
Personnel	286,202	245,131
Marketing	410,179	432,686
Advertising	107,986	57,850
Building and grounds	784,804	627,550
Paratransit (fixed route administrative charge/reimbursement)	(386,247)	97,529
Rideshare (fixed route administrative charge)	<u>(106,462)</u>	<u>(6,500)</u>
Operating expenses except depreciation	<u>16,240,328</u>	<u>12,960,467</u>
Operating loss before depreciation	(12,188,748)	(9,266,423)
DEPRECIATION	<u>2,991,940</u>	<u>2,880,114</u>
Operating loss including depreciation	<u>(15,180,688)</u>	<u>(12,146,537)</u>
OTHER INCOME (EXPENSE)		
Government operating assistance		
Member municipalities	800,000	—
Property tax	5,289,006	4,713,910
FTA operating assistance	2,446,549	2,537,455
IDOT operating assistance	927,044	793,001
IDOT special projects	15,089	8,368
FTA grant income	1,704,044	1,055,978
Gain on disposition of fixed assets	31,937	69,660
Interest income	109,393	105,199
Advertising income	240,260	206,770
Miscellaneous income	95,147	111,199
Interest expense	<u>(40,957)</u>	<u>(44,913)</u>
Total operating assistance and other income	<u>11,617,512</u>	<u>9,556,627</u>
Net loss after other income	<u>\$ (3,563,176)</u>	<u>\$ (2,589,910)</u>

See Accompanying Independent Auditor's Report.

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

	<u>Year ended June 30</u>	
	<u>2008</u>	<u>2007</u>
OPERATING REVENUES		
Service income		
Polk County	\$ 614,019	\$ 708,704
State	—	15,450
Fare paying clients	52,231	47,115
Service income, other	<u>1,225,910</u>	<u>1,168,192</u>
Total operating revenues	<u>1,892,160</u>	<u>1,939,461</u>
OPERATING EXPENSES		
Administrative wages	279,847	300,330
Mechanics wages	153,660	107,926
Drivers wages	725,881	919,638
Employee benefits	158,500	222,296
RTA staff assistance	232,587	182,181
Rent	42,054	18,000
Payroll taxes	217,259	181,671
Insurance	65,000	60,000
Fuel and lubricants	354,008	292,025
Maintenance and repairs	232,626	183,242
Printing	—	432
Contracted services, cabs	171,577	191,468
Legal and accounting	8,927	5,439
Data processing	—	14,800
Office expenses	8,399	5,919
Credit for interdivision services	(70,206)	(428,685)
Other	<u>7,532</u>	<u>22,600</u>
Total operating expenses	<u>2,587,651</u>	<u>2,279,282</u>
Operating loss before depreciation	(695,491)	(339,821)
DEPRECIATION		
Operating loss including depreciation	<u>349,103</u>	<u>466,167</u>
	(1,044,594)	(805,988)
OTHER INCOME		
Government operating assistance		
ADA subsidy	354,478	280,115
FTA grant income	138,632	193,609
FTA operating assistance	185,304	46,385
Advertising and other income	<u>5,663</u>	<u>9,883</u>
Total other income	<u>684,077</u>	<u>529,992</u>
Net loss after other income	\$ <u>(360,517)</u>	\$ <u>(275,996)</u>

See Accompanying Independent Auditor's Report.

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

	Year ended June 30	
	2008	2007
OPERATING REVENUES	<u>\$ 753,033</u>	<u>\$ 676,953</u>
OPERATING EXPENSES		
Wages and benefits	111,162	107,638
Service contracts	7,659	5,352
Travel	1,880	1,189
Professional fees	3,288	3,613
Office supplies	6,641	455
Van miscellaneous	2,508	577
Administrative miscellaneous	3,023	4,619
Office rent	64,408	6,500
Promotional events	5,478	5,833
Van phones	247	9,655
Insurance	82,302	82,194
Maintenance and repairs	122,335	60,670
Gas and oil	333,393	268,180
Drug screening	4,328	9,020
Van personal use	<u>(1,023)</u>	<u>(3,137)</u>
Total operating expenses	<u>747,629</u>	<u>562,358</u>
Operating income before depreciation	5,404	114,595
DEPRECIATION	<u>397,059</u>	<u>440,794</u>
Operating loss including depreciation	<u>(391,655)</u>	<u>(326,199)</u>
OTHER INCOME	<u>2,783</u>	<u>4,963</u>
Net loss after other income	<u>\$ (388,872)</u>	<u>\$ (321,236)</u>

See Accompanying Independent Auditor's Report.

Des Moines Area Regional Transit Authority
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2008

<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	\$ 134,961
Federal Transit Formula Grants	20.507	<u>5,596,421</u>
Total Federal Transit Cluster		5,731,382
Transit Services Programs Cluster		
Federal Transit Job Access - Reverse Commute	20.516	96,714
New Freedom Program	20.521	<u>67,123</u>
Total Transit Services Programs Cluster		<u>163,837</u>
Total direct		<u>5,895,219</u>
Indirect		
Iowa Department of Transportation		
Department of Transportation/Federal Transit Administration		
Federal Transit Cluster		
Federal Transit Capital Investment Grants	20.500	318,442
Federal Transit Formula Grants	20.507	<u>190,570</u>
Total Federal Transit Cluster - indirect		509,012
Formula Grants for other than Urbanized Areas	20.509	55,316
Transit Services Programs Cluster		
Federal Transit Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	243,881
Federal Transit Job Access - Reverse Commute	20.516	<u>443,734</u>
Total Transit Services Programs Cluster - indirect		687,615
Highway Planning and Construction Cluster		
Highway Planning and Construction	20.205	<u>5,196</u>
Total indirect		<u>1,257,139</u>
Total federal expenditures		<u>\$7,152,358</u>

BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Des Moines Area 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.

See Accompanying Independent Auditor's Report.

**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 Area Regional Transit Authority
Des Moines, Iowa

We have audited the financial statements of Des Moines Area Regional Transit Authority as of and for the year ended June 30, 2008, and have issued our report thereon dated January 28, 2009. 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 Area 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 an opinion on the effectiveness of Des Moines Area Regional Transit Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Des Moines Area 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. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 Area 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 Area Regional Transit Authority's financial statements that is more than inconsequential will not be prevented or detected by Des Moines Area Regional Transit Authority's internal control. We consider the deficiencies described in Part II of the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

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 Area 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. However, we believe that the significant deficiencies described above are not material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Des Moines Area 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, 2008 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 Area 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 Area 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 Area 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
January 28, 2009

**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 Area Regional Transit Authority
Des Moines, Iowa

Compliance

We have audited the compliance of Des Moines Area 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, 2008. The Des Moines Area 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 Area Regional Transit Authority's management. Our responsibility is to express an opinion of the Des Moines Area 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 Area 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 Area Regional Transit Authority's compliance with those requirements.

In our opinion, the Des Moines Area 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, 2008.

Internal Control Over Compliance

The management of Des Moines Area 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 Area 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 Area 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 Area 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 Area 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 Area Regional Transit Authority and other parties to whom the Des Moines Area 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
January 28, 2009

**Des Moines Area Regional Transit Authority
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2008**

Part I. Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, not considered material weaknesses.
- (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 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 Area Regional Transit Authority does qualify as a low-risk auditee.

Part II. Findings Related to the Financial Statements

A. Significant Deficiency in internal control.

08-11-A Finding: The Authority's June 2008 bank reconciliation was not performed timely or accurately and contained a reconciling item.

Condition: The Authority did not reconcile the bank account for several months on a timely basis due to the conversion to new accounting software and changes in accounting personnel.

Context: To ensure cash is being appropriately accounted for, bank reconciliations should be performed monthly on a timely basis, and any variances should be investigated immediately to ensure transactions are being posted to the proper accounts and reported in the proper time period.

Effect: The reconciling item was not detected timely and posted to the correct accounts.

Recommendation: We recommend monthly bank reconciliations be performed timely and any variances be investigated immediately.

Response and corrective action plan: Personnel and software changes within the Authority delayed completion of the monthly bank reconciliation. Procedures for the month end close have been updated to insure timely reconciliation of bank accounts.

Des Moines Area Regional Transit Authority
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2008

08-11-B Finding: During the audit, we identified the Authority's accounts receivables, grants receivables, property tax receivables, fixed assets, and net asset accounts were not adjusted to their appropriate balance as of June 30, 2008.

Condition: The Authority did not adjust the accounts above prior to the start of the audit due to a change in accounting personnel and lack of documentation as to prior year processes.

Context: Significant Authority and auditor entries were needed to adjust the Authority's accounts at year end.

Effect: Actual results were not adjusted for audit.

Recommendation: We recommend the Authority establish a procedure to properly reconcile and adjust to actual amounts on the general ledger for all listed accounts.

Response and corrective action plan: Procedures for the month end close have been updated to insure timely reconciliation of these accounts.

B. Compliance findings.

None

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 Area Regional Transit Authority
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2008

Part IV. Other Findings Related to Required Statutory Reporting

IV-A-08 **Certified Budget** - Disbursements during the year ended June 30, 2008 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-08 **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-08 **Travel Expense** - No disbursements of Authority money for travel expenses of spouses of Authority officials or employees were noted.

IV-D-08 **Business Transactions** - No business transactions between the Authority and Authority officials or employees were noted.

IV-E-08 **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-08 **Commission Minutes** - No transactions were found that we believe should have been approved in the Commission minutes but were not.

Although minutes of Authority proceedings were published, two were not published within twenty days and did not include a list of claims, and one meeting was not preceded by proper public notice as required by Chapter 28M.8 of the Code of Iowa.

Recommendation - The Authority should comply with Chapter 28M of the Code of Iowa and should publish minutes with all required listings and precede Commission meetings with proper public notice as required.

Response - We will publish all minutes and precede our meetings with public notice as required.

Conclusion - Response accepted.

Des Moines Area Regional Transit Authority
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2008

Part IV. Other Findings Related to Required Statutory Reporting

IV-G-08 **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.

IV-H-08 **Debt and Capital Leases** - The Authority entered into a capital lease agreement and opened a line of credit without notice to the public or holding a public hearing as required by Chapter 331 of the Code of Iowa.

Recommendation - The Authority should comply with Chapter 331 of the Code of Iowa for issuance of new debt.

Response - We published notice of public hearings to be held for both the capital lease and line of credit and held a public hearing in September, 2008 to comply with the Code of Iowa.

Conclusion - Response accepted.

**Des Moines Regional Transit Authority
CORRECTIVE ACTION PLAN
Year Ended June 30, 2008**

<u>Current Number</u>	<u>Comment</u>	<u>Corrective Action Plan</u>	<u>Anticipated Date of Completion</u>	<u>Contact Person</u>
Significant Deficiency in Internal Control				
08-II-A	The Authority's June 2008 bank reconciliation was not performed timely or accurately.	See corrective action plan at 08-II-A	June 30, 2009	Sharon Cramer
08-II-B	Certain accounts were not reconciled to the general ledger and adjusted to actual at year end by the Authority.	See corrective action plan at 08-II-B	June 30, 2009	Sharon Cramer