

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

**FINANCIAL REPORT**

**June 30, 2009**

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**Des Moines Area Regional Transit Authority  
OFFICIALS**

<u>Name and Title</u>	<u>Representing</u>
<b>COMMISSION</b>	
Angela Connolly, Chair	At-Large
Bob Mahaffey, Vice Chair	Region 5 - Des Moines
Ted Boesen, Jr., Secretary/Treasurer	Region 6 - Des Moines, Pleasant Hill, Carlisle
Skip Conkling, Member	Region 1 - Altoona, Mitchellville, Runnells, Bondurant
Steve Brody, Member	Region 2 - West Des Moines, Windsor Heights, Clive
Christine Hensley, Member	Region 3 - Des Moines
Tom Gayman, Member	Region 4 - Des Moines, Urbandale
Steve Van Oort, Member	Region 7 - Ankeny, Elkhart, Alleman, Sheldahl, Polk City, Granger, Grimes, Johnston
Gaye Johnson, Member	At-Large
<b>AUTHORITY</b>	
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, 2009 and 2008 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, 2009 and 2008, 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 November 5, 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 on pages 6-11, budgetary comparison information on pages 26-27 and the schedule of funding progress for the retiree health plan on page 28 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 29-33 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  
November 5, 2009

Des Moines Regional Transit Authority  
Management's Discussion and Analysis  
Year Ended June 30, 2009

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, 2009. Please read it in conjunction with the Independent Auditor's Report on page 4 and DART's financial statements, which begin on page 13.

**FINANCIAL HIGHLIGHTS**

- Total Assets increased \$ 2,791,349 for the (12) month period ending June 30, 2009.
  - Additions to Capital Assets totaled \$2,135k. Major purchases are outlined on page 20, in Note 3 Property and Equipment, which include revenue vehicles for Fixed Route, On Call and Rideshare, and the new finance and maintenance software systems.
  - Total Property Plant and Equipment includes Construction in Progress of \$ 341,173 for the following projects: Storage Barn Addition, Transit Hub, and Automatic Vehicle Locators ( AVL).
  - Trade Account Receivable is \$614k lower than FY2008 due to collection efforts.
  - Inventories increased \$676k for a 210,000 gallon bulk purchase of diesel fuel to be consumed in FY2010.
  - Current assets increased.
    - Cash and Cash Equivalents decreased \$ (896)k
    - Trade Accounts Receivable decreased \$ (614)k
    - Federal Grant Receivables increased \$1,882k
    - Property Taxes Receivables increased \$ 432k
    - Inventories increased \$ 676k
- Total Liabilities increased \$3,231,398
  - Current Liabilities rose \$3,476k which includes Accounts Payable, including our new Hybrid Bus and several other capital purchases, and Reserve for Self Insurance Claims to fund the estimated settlements for the outstanding claims at FY2009:
    - - Reserves for Accident Claims increased \$1,880k
      - Deferred property taxes increased \$ 432k
      - Accounts Payable increased \$1,118k
    - Long-term Liabilities decreased \$245k due to pay down on the capital lease obligations.
- Total Net Assets decreased by \$ 440k due the significant additional reserve for self insurance claims.

## 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>2009</u>	<u>2008</u>	<u>2007</u>
CURRENT AND OTHER ASSETS	14,844,046	14,187,611	12,448,369
CAPITAL ASSETS, NET OF DEPRECIATION	<u>24,697,066</u>	<u>22,562,152</u>	<u>23,537,359</u>
<b>TOTAL ASSETS</b>	<b>39,541,112</b>	<b>36,749,763</b>	<b>35,985,728</b>
CURRENT LIABILITIES	13,148,682	9,672,227	7,423,558
LONG-TERM LIABILITIES	<u>1,198,190</u>	<u>1,443,247</u>	<u>895,008</u>
<b>TOTAL LIABILITIES</b>	<b>14,346,872</b>	<b>11,115,474</b>	<b>8,318,566</b>
INVESTED IN CAPITAL ASSETS*	23,361,678	21,755,354	22,626,419
BOARD DESIGNATED RESERVES	-	2,702,167	3,277,195
UNRESTRICTED NET ASSETS	<u>1,832,562</u>	<u>1,176,768</u>	<u>1,763,548</u>
<b>TOTAL NET ASSETS</b>	<b><u>25,194,240</u></b>	<b><u>25,634,289</u></b>	<b><u>27,667,162</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>39,541,112</u></b>	<b><u>36,749,763</u></b>	<b><u>35,985,728</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.

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

	2009	2008	2007
OPERATING REVENUES			
Passenger fares	4,183,299	3,443,336	3,270,417
Other fares	4,044,383	3,253,437	3,040,041
NON-OPERATING REVENUES	<u>12,720,754</u>	<u>12,304,372</u>	<u>10,091,582</u>
<b>TOTAL REVENUES</b>	<b><u>20,948,436</u></b>	<b><u>19,001,145</u></b>	<b><u>16,402,040</u></b>
OPERATING EXPENSES	21,703,438	19,575,608	15,802,107
DEPRECIATION	<u>4,310,691</u>	<u>3,738,102</u>	<u>3,787,075</u>
<b>TOTAL EXPENSES</b>	<b><u>26,014,129</u></b>	<b><u>23,313,710</u></b>	<b><u>19,589,182</u></b>
Funds received for Capital Purchases	<u>4,625,644</u>	<u>2,279,692</u>	<u>5,089,498</u>
<b>CHANGE IN NET ASSETS</b>	<b><u>(440,049)</u></b>	<b><u>(2,032,873)</u></b>	<b><u>1,902,356</u></b>

#### YEAR-TO-YEAR COMPARISON

FY2009, ridership for Fixed Route increased 4%, RideShare customers increased 66% due to the rising gas prices, and Paratransit service increased by 4%. Passenger Fares are up 21% over FY2008 as a result of the rising gas prices. Other Operating Revenues increased by 24%. Total Operating Revenues increased 23% over FY2008.

Fixed Route has a 22% increase in total operating revenues. The Unlimited Access program expanded to include the City of Des Moines and the State of Iowa as new FY2009 customers, approximately \$60,000 in new revenue. A Fare Increase of 20% was adopted for FY2009. Service Expansion included Pleasant Hill and the D-Line. The D-Line is a new free Downtown Shuttle funded with a partnership with the City of Des Moines, Downtown Community Alliance, and the State of Iowa. In the 4<sup>th</sup> quarter of FY2009, the MLK parking lot shuttle route was eliminated due the completion of the new parking garage and service was expanded in West Des Moines.

Paratransit ridership increased by 4% and a 20% increase in total operating revenue. The Average Trip length decreased by 1.5%. Cost per trip increased by 45% as a result of the rising gas prices.

Ride Share had a 66% increase in ridership and a 20% increase in fare revenue:

- 97 vans were in operation at year-end compared to 92 vans last year.
- Average fare was up 3%, \$872 FY2009 as compared to \$849 FY2008.
- Rideshare incorporated a fare increase for FY2009.

Non-operating revenues increased 3.4%.

- Property Tax Revenue is up 9% from increased property valuations.
- Federal support for operating increased.
- State Operating Assistance decreased by 7%.

Operating Expenses were 11% higher than the prior year due to the service expansion for Pleasant Hill and the D-Line, the new Downtown Shuttle.

Fixed Route had a 10% increase or \$ 1,618,943 in operating expense:

- Self Insurance Reserve to fund the outstanding pending claims is the major contributor to the increase in operating expenses.
- Vehicle Maintenance Parts increased significantly due to cost escalations from the higher fuel prices 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 conditioner repairs and service.
- Service expenses increased in the areas of audit, legal, and maintenance contracts.

Paratransit expenses increased 17% over FY2008, \$444,930:

- Revenue Vehicle Repair costs were up 30% over last year as a result of increased number of high cost repairs on engines and transmissions.
- FY2009 is the start of this mode of contributing to the self insurance reserve for accidents, \$250,000.
- Contracted Services, Cabs expense increased 60% as they are taking more trips.

RideShare had an increase in expenses over the previous year of 8.6%:

- Purchased Transportation increased due to a change in maintenance scheduling policy.
- Van Maintenance and Repair costs increased 23% over FY2008 due to the utilization of an older fleet for expansion requirements as a result of the rising fuel costs and harsh winter conditions.

## BUDGETARY HIGHLIGHTS

DART adopts a consolidated budget for all three operating divisions, Fixed Route, Paratransit, and Rideshare.

- Fixed Route
  - Passenger Fares were 5.8% over budget due to increases in ridership and unlimited access customers.
  - Non-Operating Revenues were 8% over budget with an increase in FTA operating funding for planning and new operating revenue with the start of indirect charges authorized.
  - Operating Expenses were 17% over the adopted budget due to the unforeseen increased self insurance reserve requirements.
  - 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, services, and supplies.
- Paratransit
  - Operating Revenue was slightly below budget. The number of trips was less than projected due to agency funding constraints.
  - Operating Expenses were 3.5% over budget. Vehicle Repair costs for an aging fleet and the start of contributions to the liability reserve fund are the major costs associated with the increase.
- RideShare
  - Operating Revenue was 1% below budget.
  - Operating Expenses were just .01% under budget. Accident and vehicle repairs were 125% over budget depleting the savings in fuel.

CAPITAL ASSET AND DEBT ADMINISTRATION

As of June 30, 2009 DART has invested approximately \$25 million in capital assets, net of depreciation. This amount is an increase of \$2.1 million over June 30, 2008.

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

	2009	2008	2007
LAND	\$ 185,009	\$ 185,009	\$ 185,009
BUILDINGS & IMPROVEMENTS	4,464,596	4,736,368	4,883,998
REVENUE VEHICLES & EQUIPMENT	17,686,448	16,404,385	17,909,459
EQUIPMENT	<u>2,361,013</u>	<u>1,236,390</u>	<u>558,893</u>
<b>TOTALS</b>	<b><u>\$24,697,066</u></b>	<b><u>\$22,562,152</u></b>	<b><u>\$23,537,359</u></b>

- o Additions to Capital Assets totaled \$6,445,596. Major purchases were:

RideShare vans (24)	\$ 518k
On Call buses (6)	\$ 405k
Upgrades for buildings and property	\$ 367k
Paratransit buses (2)	\$ 138k
Computer Software, Financial and Maintenance	\$1,475k
Fixed route buses (8)	\$2,784k

- o Disposals from Capital included Revenue, Miscellaneous, and Computer Equipment.
- o DART has a fixed-route fleet of 113 vehicles with an average age of 7.34 years, On Call has 13 vehicles with an average age of 4.43 years, and a Paratransit fleet of 24 vehicles with an average age of 6 years.

Debt Administration

- DART has a (12) year lease agreement for 16 buses and 21 radios with Bankers Trust. 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 has a (5) year \$800,000 capital lease with Bank of the West as funding for a portion of the new software system.
- DART has a revolving line of credit, renewable annually at 12/31, for fuel \$1.2 million and cash flow \$800k. The balance at FY2009 was zero for this loan.

Current Liabilities include;

- DART has \$3,880k in self insurance reserves committed to pending outstanding liability claims. The company self insures accidents for the first \$2 million and carries an umbrella liability policy for \$10 million above that. 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 \$132,063 at June 30, 2009. GASB 45 required an actuary study to determine the reserve for a two year period. FY2009 is the first year of the new accounting principle. These funds cover medical and life insurance benefits for retired employees. Benefits are accrued on life expectancy and premium costs, and adjusted each year and the final reserve is based on the actuary study.

#### OTHER CURRENTLY KNOWN FACTS, DECISIONS or CONDITIONS

FY2009, DART replaced or upgraded the 10-year old financial, fixed route scheduling, and maintenance software programs from Fleet Net to Dynamics GP and FA Suite Maximus.

For the FY2011 budget, the focus in on the development of long term financial plans to recover from FY2008 \$2.000k and FY2009 \$1.880k required self insurance reserves expenses. DART will continue to focus in building the safety culture.

The first accident settlement occurred in late July 2009 and amounted to \$2.0 million for DART, as anticipated.

In September, DART purchased the property for the Storage Barn Expansion project. A ground breaking ceremony was held in early October.

The new Transit Hub is in phase II of the planning process.

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**

	<b>June 30</b>	
<b>ASSETS</b>	<b>2009</b>	<b>2008</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,262,262	\$ 3,158,066
Accounts receivable		
Trade (less allowance for doubtful accounts 2009 \$21,127, 2008 \$10,817)	777,359	1,391,774
FTA	3,213,770	1,331,545
Other	7,300	7,188
Property tax receivable		
Succeeding year	6,240,935	5,808,744
Delinquent	91,356	68,410
Inventories	2,131,399	1,455,831
Prepaid expenses	119,665	164,941
Restricted assets for acquisition of software, cash equivalent	—	801,112
Total current assets	<u>14,844,046</u>	<u>14,187,611</u>
<b>PROPERTY AND EQUIPMENT</b>		
Less accumulated depreciation and amortization	58,085,056	52,668,520
Total property and equipment	<u>33,387,990</u>	<u>30,106,368</u>
Total assets	<u>24,697,066</u>	<u>22,562,152</u>
Total assets	<u>\$39,541,112</u>	<u>\$36,749,763</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current obligations of capital leases	\$ 269,261	\$ 259,132
Current obligations of post retirement benefits payable	—	27,661
Accounts payable	1,755,931	638,081
Accrued and withheld payroll, payroll taxes and benefits	899,160	873,257
Succeeding year property taxes	6,240,935	5,808,744
Deferred revenue	97,870	60,012
Accrued interest payable	5,521	5,340
Accrued self insurance claims	3,880,004	2,000,000
Total current liabilities	<u>13,148,682</u>	<u>9,672,227</u>
<b>LONG-TERM LIABILITIES</b>		
Capital leases, less current obligations	1,066,127	1,335,387
Post retirement benefits payable, less current obligations	132,063	107,860
Total long-term liabilities	<u>1,198,190</u>	<u>1,443,247</u>
Total liabilities	<u>14,346,872</u>	<u>11,115,474</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	23,361,678	21,755,354
Restricted	—	13,392
Unrestricted	1,832,562	3,865,543
Total net assets	<u>25,194,240</u>	<u>25,634,289</u>
Total liabilities and net assets	<u>\$39,541,112</u>	<u>\$36,749,763</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, 2009</u>			<u>Total</u>	<u>Year ended</u>
	<u>Fixed route</u>	<u>Paratransit</u>	<u>Rideshare</u>	<u>2009</u>	<u>June 30,</u>
					<u>2008</u>
<b>OPERATING REVENUES</b>	\$ 4,930,641	\$2,392,227	\$ 904,814	\$ 8,227,682	\$ 6,696,773
<b>OPERATING EXPENSES (EXCEPT DEPRECIATION AND AMORTIZATION)</b>	<u>17,859,271</u>	<u>3,032,581</u>	<u>811,586</u>	<u>21,703,438</u>	<u>19,575,608</u>
Operating income (loss) before depreciation and amortization	(12,928,630)	(640,354)	93,228	(13,475,756)	(12,878,835)
<b>DEPRECIATION AND AMORTIZATION</b>	<u>3,429,029</u>	<u>406,598</u>	<u>475,064</u>	<u>4,310,691</u>	<u>3,738,102</u>
Operating loss including depreciation and amortization	<u>(16,357,659)</u>	<u>(1,046,952)</u>	<u>(381,836)</u>	<u>(17,786,447)</u>	<u>(16,616,937)</u>
<b>OTHER INCOME (EXPENSE)</b>					
Government operating assistance					
Member municipalities	400,000	344,000	-	744,000	1,154,478
Property tax	5,758,609	-	-	5,758,609	5,289,006
FTA operating assistance	3,755,986	212,199	-	3,968,185	2,631,853
IDOT operating assistance	863,901	-	-	863,901	927,044
IDOT special projects	30,949	-	-	30,949	15,089
FTA grant income	899,678	184,889	-	1,084,567	1,842,676
Gain on disposition of fixed assets	2,063	1,081	14,339	17,483	31,937
Investment income	21,637	-	-	21,637	109,393
Advertising income	196,202	-	-	196,202	246,110
Miscellaneous income (expense)	78,285	-	63	78,348	97,743
Interest expense	(43,127)	-	-	(43,127)	(40,957)
Total other income	<u>11,964,183</u>	<u>742,169</u>	<u>14,402</u>	<u>12,720,754</u>	<u>12,304,372</u>
Net loss before capital revenues	<u>\$ (4,393,476)</u>	<u>\$ (304,783)</u>	<u>\$ (367,434)</u>	(5,065,693)	(4,312,565)
Capital revenue from federal grants and member municipalities				<u>4,625,644</u>	<u>2,279,692</u>
Decrease in net assets				(440,049)	(2,032,873)
<b>NET ASSETS, beginning</b>				<u>25,634,289</u>	<u>27,667,162</u>
<b>NET ASSETS, ending</b>				<u>\$25,194,240</u>	<u>\$25,634,289</u>

See Notes to Financial Statements.

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

	<b>Year ended June 30</b>	
	<b>2009</b>	<b>2008</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from operations	\$ 7,674,183	\$ 5,990,139
Cash paid to suppliers for goods and services	(10,541,828)	(9,514,964)
Cash paid to employees for services	<u>(9,859,725)</u>	<u>(9,078,039)</u>
Net cash (used in) operating activities	<u>(12,727,370)</u>	<u>(12,602,864)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Municipal support	744,000	1,154,478
Property taxes received	5,735,663	5,280,664
Other government assistance	7,490,620	5,470,233
Cash received from other sources	<u>274,550</u>	<u>343,853</u>
Net cash provided by noncapital financing activities	<u>14,244,833</u>	<u>12,249,228</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of certificates of deposit	-	(1,000,000)
Proceeds from sale of certificate of deposit	-	2,074,625
Proceeds from sale of government securities	-	1,500,000
Interest received	<u>21,637</u>	<u>29,112</u>
Net cash provided by investing activities	<u>21,637</u>	<u>2,603,737</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Federal, state and municipal funds received for capital expenditures	2,406,061	1,500,832
Proceeds on disposition of fixed assets	17,478	40,048
Interest paid	(42,946)	(40,957)
Purchase of property and equipment	(5,357,478)	(2,778,777)
Proceeds from capital lease	-	800,000
Principal payments on capital lease	<u>(259,131)</u>	<u>(116,421)</u>
Net cash (used in) capital and related financing activities	<u>(3,236,016)</u>	<u>(595,275)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(1,696,916)	1,654,826
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning	<u>3,959,178</u>	<u>2,304,352</u>
Ending	<u>\$ 2,262,262</u>	<u>\$ 3,959,178</u>

See Notes to Financial Statements.

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

	<b>Year ended June 30</b>	
	<b>2009</b>	<b>2008</b>
<b>RECONCILIATION OF OPERATING (LOSS) TO NET CASH (USED IN) OPERATING ACTIVITIES</b>		
Loss from operations	\$(17,786,447)	\$(16,616,937)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities		
Depreciation and amortization	4,310,691	3,738,102
(Increase) in accounts receivable, net of noncapital financing activities	(591,357)	(706,824)
(Increase) in inventories	(675,568)	(500,936)
Decrease in prepaid expenses	45,276	37,748
Increase in accounts payable, net of amounts for property and equipment	29,728	138,373
Increase in accrued and withheld payroll, payroll taxes and benefits	25,903	46,774
Increase in deferred revenue	37,858	190
Increase in accrued self insurance claims	1,880,004	1,242,500
Increase (decrease) in post retirement benefits payable	<u>(3,458)</u>	<u>18,146</u>
Net cash (used in) operating activities	<u>\$(12,727,370)</u>	<u>\$(12,602,864)</u>
<b>RECONCILIATION OF CASH PER STATEMENTS OF CASH FLOWS TO THE BALANCE SHEETS</b>		
Per balance sheets		
Cash	\$ 2,262,262	\$ 3,158,066
Restricted cash for acquisition of software	<u>          —</u>	<u>      801,112</u>
Total per statements of cash flows	<u>\$ 2,262,262</u>	<u>\$ 3,959,178</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.

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)**

**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, 2009 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.

**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

**Des Moines Area 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, 2009 and 2008, 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, 2009, 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, 2009 and 2008 was \$107,988 and \$143,232, respectively.

**NOTE 2 CASH AND INVESTMENTS**

The Authority's deposits in banks at June 30, 2009 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 Area Regional Transit Authority  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 PROPERTY AND EQUIPMENT**

Property and equipment consists of the following:

	<u>July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2009</u>
Land	\$ 185,009	\$ —	\$ —	\$ 185,009
Buildings	9,313,026	390,725	549	9,703,202
Revenue equipment	31,732,658	2,784,242	737,044	33,779,856
On Call revenue equipment	—	404,904	—	404,904
Fare collection equipment	1,004,581	16,499	—	1,021,080
Service cars and trucks	481,313	84,430	21,941	543,802
Shop and garage equipment	602,453	113,849	—	716,302
Furniture and office equipment	361,795	—	—	361,795
Computer equipment	1,489,380	1,378,343	—	2,867,723
Miscellaneous equipment	308,912	172,434	217	481,129
Communication equipment	670,018	102,194	—	772,212
Paratransit vehicles	4,242,191	138,316	141,020	4,239,487
Rideshare vehicles	2,277,184	518,487	128,289	2,667,382
Construction in progress	—	341,173	—	341,173
Total at historical cost	<u>52,668,520</u>	<u>6,445,596</u>	<u>1,029,060</u>	<u>58,085,056</u>
Less accumulated depreciation and amortization	<u>30,106,368</u>	<u>4,310,682</u>	<u>1,029,060</u>	<u>33,387,990</u>
Net property and equipment	<u>\$22,562,152</u>	<u>\$2,134,914</u>	<u>\$ —</u>	<u>\$24,697,066</u>

	<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	<u>50,350,000</u>	<u>2,832,356</u>	<u>513,836</u>	<u>52,668,520</u>
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>

At June 30, 2009 and 2008, revenue equipment includes transportation vehicles under capital lease with historical cost of \$4,440,004 and accumulated amortization of \$2,381,502 and \$2,013,051, respectively. Amortization expense for these assets totaled \$368,452 for the years ended June 30, 2009 and 2008.

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.

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

**NOTE 4 CAPITAL LEASES**

Capital leases consisted of the following as of June 30, 2009:

An agreement to acquire 16 buses under a capital lease. The related liability under the lease at June 30, 2009 is \$697,688. The obligation is due in semiannual installments of \$72,549 through November, 2014. The interest rate at June 30, 2009 was 4.55%.

An agreement to finance the acquisition of software under a capital lease. The related liability under the lease at June 30, 2009 is \$637,699. The obligation is due in monthly installments of \$14,485 through May, 2013. The interest rate at June 30, 2009 was 3.31%.

At June 30, 2009, future minimum lease payments are as follows:

2010	\$ 318,913
2011	318,913
2012	318,913
2013	304,428
2014	145,099
Thereafter	<u>72,549</u>
Total	1,478,815
Less amount representing interest	<u>143,427</u>
	1,335,388
Less current obligations under capital lease	<u>269,261</u>
Capital lease obligations, net of current obligations	<u>\$1,066,127</u>

A summary of changes in capital leases are as follows:

	<u>July 1, 2008</u>	<u>Additions</u>	<u>Payments</u>	<u>June 30, 2009</u>
Capital lease	\$ <u>1,594,519</u>	\$ <u>—</u>	\$ <u>259,131</u>	\$ <u>1,335,388</u>
	<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>

Total interest cost, including amounts capitalized, were \$73,700 and \$43,162 for the years ended June 30, 2009 and 2008, respectively.

**NOTE 5 LINE OF CREDIT**

The Authority maintains an \$800,000 revolving line of credit and a \$1,200,000 advised guidance line of credit for working capital and bulk diesel fuel purchases with a bank which matures December 31, 2009, and is renewable annually unless the Authority and bank mutually decline. Interest is payable monthly at prime with a minimum rate of 4.50%, rate is 4.5% as of June 30, 2009. The notes are unsecured. At June 30, 2009 the outstanding balances on the lines of credit were \$-0-. The \$1,200,000 was replaced on October 7, 2009 with a \$500,000 advised guidance line of credit at prime plus 1% with a minimum rate of 5.5%. The \$800,000 line of credit was closed on October 7, 2009. The note expires December 31, 2009 and is secured by real estate tax revenues.

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

**NOTE 6 ACCOUNTS RECEIVABLE—FTA**

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

**NOTE 7 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 4.10% of their annual salary and the Authority is required to contribute 6.35% of annual covered payroll. Contribution requirements are established by State statute. The Authority's contribution to IPERS for the years ended June 30, 2009, 2008 and 2007, were \$594,630, \$533,138 and \$454,173, respectively, equal to the required contributions for each year.

**NOTE 8 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 the year ended June 30, 2009 and 2008 that matches participant's contributions to the Plan up to 7%, of the individual participant's eligible compensation. Total expense for the years ended June 30, 2009 and 2008 was \$22,907 and \$25,854, respectively.

**NOTE 9 POST EMPLOYMENT BENEFITS**

**Plan Description**

The Authority has implemented Governmental Accounting Standards Board, GASB, Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions during the year ended June 30, 2009. The Authority sponsors a single-employer health care plan that provides health and dental benefits to active and retired employees and their spouses, eligible dependents. There are 140 active and 12 retired members in the plan. Employees who have attained age 55 and retire from active employment are eligible for retiree benefits.

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.

Required monthly contributions vary by plan and are 100% of premium for health and 20% of premium for dental, are required for both retiree and dependent coverage. The contributions for each insured group is assumed to be the expected, composite per capita cost for the group. This composite is then disaggregated into an age-specific starting cost curve based on the average age of the group and for assumptions for age-based morbidity. The average age of the pre-65 retiree group has not been determined. Retiree expenses are then offset by monthly contributions.

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

**NOTE 9 POST EMPLOYMENT BENEFITS (continued)**

**Funding Policy**

The Authority establishes and amends contribution requirements.

The current funding policy of the Authority is to pay health insurance premiums as they occur. This arrangement does not qualify as other post employment benefits (OPEB) plan assets under Governmental Accounting Standards Board (GASB) Statement No. 45 for current GASB reporting.

The required contribution is based on projected pay-as-you-go financing. For fiscal year 2009, the Authority contributed \$39,226.

**Annual OPEB Cost and Net OPEB Obligation**

The Authority's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance to the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the Authority's annual OPEB cost for the year to the Authority, the amount actuarially contributed to the plan, and changes in the Authority's annual OPEB obligation.

Annual required contribution	\$ 126,376
Interest on net OPEB obligation	5,687
Adjustment to annual required contribution	<u>—</u>
Annual OPEB cost (expense)	132,063
Contributions and payments made	<u>—</u>
Increase in net OPEB obligation	132,063
Net OPEB obligation, July 1, 2008	<u>—</u>
Net OPEB obligation, June 30, 2009	<u>\$ 132,063</u>

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2009 follows. This is the transition year of GASB Statement No. 45.

<u>Fiscal year ended</u>	<u>Annual OPEB cost</u>	<u>Percentage of Annual OPEB cost contributed</u>	<u>Net OPEB obligation</u>
June 30, 2009	\$ <u>132,063</u>	<u>0%</u>	\$ <u>132,063</u>

**Funded Status and Funding Progress**

As of January 1, 2009, the most recent actuarial valuation date, the plan was zero percent funded. The Authority's actuarial accrued liability for benefits was \$907,246 and the actuarial value of assets is none resulting in an unfunded actuarial accrued liability (UAAL) of \$(907,246). The results of the January 1, 2009 valuation were rolled forward to June 30, 2009. The actuarial accrued liability for benefits was \$907,246 and the actuarial value of assets is none resulting in an unfunded actuarial accrued liability (UAAL) of \$(907,246) as of June 30, 2009. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$9,882,000, and the ratio of the UAAL to the covered payroll was 9.2%. As of June 30, 2009, there were no trust fund assets.

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

**NOTE 9 POST EMPLOYMENT BENEFITS (continued)**

**Funded Status and Funding Progress (continued)**

Actuarial estimates of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about the future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and included the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2009 actuarial valuation, project unit credit method was used. The actuarial assumptions included a 4.5 percent discount rate, an annual health care cost trend rate of 8.5 percent reduced by decrements of .50 percent annually to an ultimate rate of 4.5 percent for medical costs, and annual health care cost trend rate of 4.5 percent for dental and related administrative costs. The UAAL is being amortized as a closed level dollar. The amortization of UAAL is done over a period of 30 years.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement probabilities were based on a graduated scale at 0.070 for those aged 55-57, up to 0.150 for those 65 and older.

Projected claim costs of the medical plan are approximately \$2,149 per month for retirees. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level dollar amount on an open basis over a period of 30 years.

**NOTE 10 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, 2009 and 2008, the Authority had established reserves of \$3,880,004 and \$2,000,000, 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 10 RISK MANAGEMENT (continued)**

The following is a summary of claims paid and liabilities recorded for the years ended June 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Accrued claims at beginning of year	\$2,000,000	\$ 757,500
Claims paid	(64,592)	(721,060)
Amount reserved	<u>1,944,596</u>	<u>1,963,560</u>
Accrued claims at end of year	<u>\$3,880,004</u>	<u>\$2,000,000</u>

**NOTE 11 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. 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.

GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, issued June 2008, will be effective for the Authority beginning with its year ending June 30, 2010. This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments.

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

**NOTE 12 COMMITMENTS**

The Authority entered into a contract commitment for the completion of the architectural and engineering for the transit hub project. The total contract commitment is \$1,500,000, of which \$103,875 has been incurred as of June 30, 2009. The unpaid commitment balance is \$1,396,125, which will be funded by current reserves and federal grant funds.

**NOTE 13 SUBSEQUENT EVENTS**

Subsequent to year end, the Authority entered into the following agreements: To purchase land for \$150,000; bus storage barn construction contract for \$1,614,800; regional transit hub design contract for \$400,000; and a 3-year purchase contract for up to 75 minivans not to exceed \$2,100,000.

The Authority settled two pedestrian incident claims in the amount of \$2,125,000.

The Authority approved entering into loans not to exceed \$3,000,000 with interest payable at prime plus 1% with a minimum rate of 5.50%, and is secured by real estate tax revenues, and is due over the sixty months.

**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, 2009

	<u>Actual</u>	<u>Adjustment to budget basis</u>	<u>Total actual</u>	<u>Budgeted amounts</u>		<u>Final to actual variance</u>
				<u>Original</u>	<u>Final</u>	
<b>REVENUES</b>	\$25,617,207	\$ -	\$25,617,207	\$17,433,535	\$17,433,535	\$8,183,672
<b>EXPENSES</b>	<u>26,057,256</u>	<u>3,810,160</u>	<u>22,247,096</u>	<u>16,095,756</u>	<u>20,600,000</u>	<u>1,647,096</u>
Excess of revenues (under) expenses	(440,049)	(3,810,160)	3,370,111	1,337,779	(3,166,465)	6,536,576
<b>BALANCES, beginning of year</b>	<u>25,634,289</u>	<u>25,634,289</u>	<u>25,634,289</u>	<u>25,634,289</u>	<u>25,634,289</u>	<u>-</u>
<b>BALANCES, end of year</b>	<u>\$25,194,240</u>	<u>\$21,824,129</u>	<u>\$29,004,400</u>	<u>\$26,972,068</u>	<u>\$22,467,824</u>	<u>\$6,536,576</u>

See Accompanying Independent Auditor's Report.

**Des Moines Area Regional Transit Authority**  
**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING**  
**Year ended June 30, 2009**

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 Authority prepares its annual budget on a basis (budget basis) which differs from generally accepted accounting principles (GAAP basis). The major differences between budget and GAAP bases is that the federal share of depreciation expense are not included in operating expenditures on the budget basis. During the year ended June 30, 2009, expenses exceeded the amount budgeted.

**Des Moines Area Regional Transit Authority**  
**SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN**  
(In Thousands)

**Required Supplementary Information**

<u>Actuarial valuation date</u>	<u>Actuarial value of assets (a)</u>	<u>Actuarial accrued liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b - a)</u>	<u>Funded ratio (a/b)</u>	<u>Covered payroll (c)</u>	<u>UAAL as a percentage of covered payroll ((b - a)/c)</u>
January 1, 2009	\$ <u>—</u>	\$ <u>907</u>	<u>907</u>	<u>0.0%</u>	\$ <u>9,882</u>	<u>9.2%</u>

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

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

	<b>Year ended June 30</b>	
	<b>2009</b>	<b>2008</b>
<b>COMMISSION DESIGNATED NET ASSETS</b>		
For fixed asset purchases		
Fixed route	\$ 453,729	\$ 974,304
Paratransit	584,540	530,137
Rideshare	<u>692,551</u>	<u>707,107</u>
Total for fixed asset purchases	<u>1,730,820</u>	<u>2,211,548</u>
Other		
Contributed capital	<u>490,619</u>	<u>490,619</u>
Total commission designated net assets	<u>2,221,439</u>	<u>2,702,167</u>
<b>UNDESIGNATED NET ASSETS</b>		
Fixed route	(942,112)	585,759
Paratransit	322,653	343,386
Rideshare	<u>230,582</u>	<u>234,231</u>
Total undesignated net assets	<u>(388,877)</u>	<u>1,163,376</u>
Total unrestricted net assets	<u>\$1,832,562</u>	<u>\$3,865,543</u>

**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>2009</u>	<u>2008</u>
<b>OPERATING REVENUES</b>		
Passenger revenue	\$ 3,196,012	\$ 2,638,072
Contracted service	<u>1,734,629</u>	<u>1,413,508</u>
Total operating revenues	<u>4,930,641</u>	<u>4,051,580</u>
<b>OPERATING EXPENSES</b>		
Transportation	9,819,448	8,319,023
Maintenance	2,801,406	3,182,360
Insurance	2,353,009	1,965,907
General and administration	811,309	839,400
Accounting	682,124	452,671
Planning	352,094	384,505
Personnel	278,203	286,202
Marketing	452,196	410,179
Advertising	84,802	107,986
Building and grounds	645,236	784,804
Paratransit (fixed route administrative charge/reimbursement)	(321,586)	(386,247)
Rideshare (fixed route administrative charge)	<u>(98,970)</u>	<u>(106,462)</u>
Operating expenses except depreciation	<u>17,859,271</u>	<u>16,240,328</u>
Operating loss before depreciation	(12,928,630)	(12,188,748)
<b>DEPRECIATION</b>	<u>3,429,029</u>	<u>2,991,940</u>
Operating loss including depreciation	<u>(16,357,659)</u>	<u>(15,180,688)</u>
<b>OTHER INCOME (EXPENSE)</b>		
Government operating assistance		
Member municipalities	400,000	800,000
Property tax	5,758,609	5,289,006
FTA operating assistance	3,755,986	2,446,549
IDOT operating assistance	863,901	927,044
IDOT special projects	30,949	15,089
FTA grant income	899,678	1,704,044
Gain on disposition of fixed assets	2,063	31,937
Interest income	21,637	109,393
Advertising income	196,202	240,260
Miscellaneous income	78,285	95,147
Interest expense	<u>(43,127)</u>	<u>(40,957)</u>
Total operating assistance and other income	<u>11,964,183</u>	<u>11,617,512</u>
Net loss after other income	<u>\$ (4,393,476)</u>	<u>\$ (3,563,176)</u>

See Accompanying Independent Auditor's Report.

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

	<b>Year ended June 30</b>	
	<b>2009</b>	<b>2008</b>
<b>OPERATING REVENUES</b>		
Service income		
Polk County	\$ 825,677	\$ 614,019
Fare paying clients	82,473	52,231
Service income, other	<u>1,484,077</u>	<u>1,225,910</u>
Total operating revenues	<u>2,392,227</u>	<u>1,892,160</u>
<b>OPERATING EXPENSES</b>		
Administrative wages	288,414	279,847
Mechanics wages	185,189	153,660
Drivers wages	714,858	725,881
Employee benefits	154,162	158,500
RTA staff assistance	225,545	232,587
Rent	39,588	42,054
Payroll taxes	216,605	217,259
Insurance	403,001	65,000
Fuel and lubricants	231,450	354,008
Maintenance and repairs	303,384	232,626
Contracted services, cabs	273,598	171,577
Legal and accounting	10,606	8,927
Office expenses	10,310	8,399
Credit for interdivision services	(61,333)	(70,206)
Other	<u>37,204</u>	<u>7,532</u>
Total operating expenses	<u>3,032,581</u>	<u>2,587,651</u>
Operating loss before depreciation	(640,354)	(695,491)
<b>DEPRECIATION</b>	<u>406,598</u>	<u>349,103</u>
Operating loss including depreciation	(1,046,952)	(1,044,594)
<b>OTHER INCOME</b>		
Government operating assistance		
ADA subsidy	344,000	354,478
FTA grant income	184,889	138,632
FTA operating assistance	212,199	185,304
Gain on disposition of fixed assets	1,081	—
Advertising and other income	—	<u>5,663</u>
Total other income	<u>742,169</u>	<u>684,077</u>
Net loss after other income	<u>\$ (304,783)</u>	<u>\$ (360,517)</u>

See Accompanying Independent Auditor's Report.

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

	<b>Year ended June 30</b>	
	<b>2009</b>	<b>2008</b>
<b>OPERATING REVENUES</b>	<b>\$ 904,814</b>	<b>\$ 753,033</b>
<b>OPERATING EXPENSES</b>		
Wages and benefits	117,612	111,162
Service contracts	9,168	7,659
Travel	2,275	1,880
Professional fees	5,848	3,288
Office supplies	9,627	6,641
Van miscellaneous	7,279	2,508
Administrative miscellaneous	6,184	3,023
Office rent	59,382	64,408
Promotional events	4,229	5,478
Van phones	—	247
Insurance	93,505	82,302
Maintenance and repairs	150,068	122,335
Gas and oil	343,600	333,393
Drug screening	2,809	4,328
Van personal use	—	(1,023)
Total operating expenses	<u>811,586</u>	<u>747,629</u>
Operating income before depreciation	93,228	5,404
<b>DEPRECIATION</b>	<u>475,064</u>	<u>397,059</u>
Operating loss including depreciation	<u>(381,836)</u>	<u>(391,655)</u>
Gain on disposition of fixed assets	14,339	—
Miscellaneous income	63	2,783
Total other income	<u>14,402</u>	<u>2,783</u>
Net loss after other income	<u>\$ (367,434)</u>	<u>\$ (388,872)</u>

See Accompanying Independent Auditor's Report.

**Des Moines Area Regional Transit Authority**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year ended June 30, 2009**

<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	\$ 199,179
Federal Transit Formula Grants	20.507	<u>6,557,914</u>
Total Federal Transit Cluster		6,757,093
Highway Planning and Construction Cluster		
Highway Planning and Construction	20.205	1,040,000
Transit Services Programs Cluster		
Federal Transit Job Access - Reverse Commute	20.516	310,530
New Freedom Program	20.521	<u>219,014</u>
Total Transit Services Programs Cluster		<u>529,544</u>
Total direct		<u>8,326,637</u>
Indirect		
Iowa Department of Transportation		
Department of Transportation/Federal Transit Administration		
Federal Transit Cluster		
Federal Transit Capital Investment Grants	20.500	491,510
Formula Grants for other than Urbanized Areas	20.509	42,999
Transit Services Programs Cluster		
Federal Transit Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	184,889
Highway Planning and Construction Cluster		
Highway Planning and Construction	20.205	<u>676,391</u>
Total indirect		<u>1,395,789</u>
Total federal expenditures		<u>\$9,722,426</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, 2009, and have issued our report thereon dated November 5, 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.

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 deficiency described in Part II of the accompanying Schedule of Findings to be a significant deficiency 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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

### **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, 2009 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  
November 5, 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, 2009. 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, 2009.

### **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  
November 5, 2009

**Des Moines Area Regional Transit Authority  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year ended June 30, 2009**

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

- (a) An unqualified opinion was issued on the financial statements.
- (b) A significant deficiency in internal control over financial reporting was 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 20.513, 20.516, 20.521 Transit Services Program Cluster
  - \*CFDA Number 20.500, 20.507 - Federal Transit Cluster
  - \*CFDA Number 20.250 - Highway Planning and Construction 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 not qualify as a low-risk auditee.

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

**A. Significant Deficiency in internal control.**

09-11-A Finding: During the audit, we identified the Authority's accrued vacation, deferred revenue, and net asset accounts were not adjusted to their appropriate balance as of June 30, 2009.

Condition: The Authority did not adjust the accounts above prior to the start of the audit due to a mid-year change in accounting software that did not address the year to date adjustments needed.

Context: Auditor entries were needed to adjust the Authority's accounts at year end which had a significant net income effect.

Effect: Actual results were not adjusted prior to audit.

Recommendation: We recommend the Authority verify the computer processes that allow for properly reconciling all listed accounts.

Response and corrective action plan: Procedures will be verified to insure reconciliation of these accounts.

**B. Compliance findings.**

None

**Des Moines Area Regional Transit Authority  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year ended June 30, 2009**

**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, 2009**

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

**IV-A-09** **Certified Budget** - Disbursements during the year ended June 30, 2009 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-09** **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-09** **Travel Expense** - No disbursements of Authority money for travel expenses of spouses of Authority officials or employees were noted.

**IV-D-09** **Business Transactions** - No business transactions between the Authority and Authority officials or employees were noted.

**IV-E-09** **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-09** **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, one was not published within twenty days, and two meetings were 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.

**IV-G-09** **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-09** **Debt and Capital Leases** - No instances of noncompliance with debt provisions were noted.

**Des Moines Regional Transit Authority  
CORRECTIVE ACTION PLAN  
Year Ended June 30, 2009**

<u>Current Number</u>	<u>Comment</u>	<u>Corrective Action Plan</u>	<u>Anticipated Date of Completion</u>	<u>Contact Person</u>
<b>Significant Deficiency in Internal Control</b>				
09-11-A	Certain accounts were not reconciled to the general ledger and adjusted to actual at year end by the Authority.	See corrective action plan at 09-11-A	June 30, 2010	Sharon Cramer