

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

**FINANCIAL REPORT**

**June 30, 2010**

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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, 2010 and 2009 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, 2010 and 2009, 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 6, 2011, 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 27-28 and the schedule of funding progress for the retiree health plan on page 29 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information as listed on pages 30-34 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 6, 2011

**Des Moines Regional Transit Authority  
Management's Discussion and Analysis  
Year Ended June 30, 2010**

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, 2010. Please read it in conjunction with the Independent Auditor's Report on pages 4-5 and DART's financial statements, which begin on page 13.

**FINANCIAL HIGHLIGHTS**

- Total assets increased \$6,660,698 for the twelve month period ending June 30, 2010.
  - Net additions to capital assets totaled \$4,880,822. Major purchases are outlined on page 20, in Note 3 Capital Assets, which include revenue vehicles for Fixed Route, On Call and Rideshare.
  - Total capital assets includes Construction in Progress of \$1,897,305 for the following projects: Storage Barn Addition, Transit Hub, and Automatic Vehicle Locators (AVL).
  - Inventories decreased \$1,263k due to the utilization during FY 2010 of a 210,000 gallon bulk purchase of diesel fuel that was made in the prior fiscal year.
  - Current assets increased.
 

▪ Cash and cash equivalents increased	\$ 2,629,030
▪ Trade accounts receivable increased	\$ 237,472
▪ Federal grant receivables decreased	\$ (337,983)
▪ Property tax receivables increased	\$ 331,443
▪ Inventories decreased	\$(1,263,134)
▪ Prepaid expenses increased	\$ 146,774
  
- Total liabilities increased \$1,581,589 for the twelve month period ending June 30, 2010.
  - Current liabilities decreased \$1,305,573, which includes a decrease in accounts payable and a decrease in the reserve for self insurance claims resulting from the settlement of various claims during FY2010.
  - Current liabilities decreased.
 

▪ Current portion of general obligation bonds payable increased	\$ 320,000
▪ Accounts payable decreased	\$ (507,408)
▪ Deferred property taxes increased	\$ 352,706
▪ Reserves for self insurance claims decreased	\$(1,718,004)
  - Long-term liabilities increased \$2,887,162 due to the issuance of general obligation bonds.
  
- Total net assets increased by \$5,079,109 due to the increase in capital revenue from federal grants and member municipalities in FY 2010.

## 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>2010</u>	<u>2009</u>	<u>2008</u>
CURRENT AND OTHER ASSETS	\$16,671,929	\$14,844,046	\$14,187,611
CAPITAL ASSETS, NET OF DEPRECIATION	<u>29,529,881</u>	<u>24,697,066</u>	<u>22,562,152</u>
<b>TOTAL ASSETS</b>	<b><u>\$46,201,810</u></b>	<b><u>\$39,541,112</u></b>	<b><u>\$36,749,763</u></b>
CURRENT LIABILITIES	\$11,843,109	\$13,148,682	\$ 9,672,227
LONG-TERM LIABILITIES	<u>4,085,352</u>	<u>1,198,190</u>	<u>1,443,247</u>
<b>TOTAL LIABILITIES</b>	<b><u>15,928,461</u></b>	<b><u>14,346,872</u></b>	<b><u>11,115,474</u></b>
INVESTED IN CAPITAL ASSETS*	28,463,754	23,361,678	21,755,354
BOARD DESIGNATED RESERVES	-	-	2,702,167
UNRESTRICTED NET ASSETS	<u>1,809,595</u>	<u>1,832,562</u>	<u>1,176,768</u>
<b>TOTAL NET ASSETS</b>	<b><u>30,273,349</u></b>	<b><u>25,194,240</u></b>	<b><u>25,634,289</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$46,201,810</u></b>	<b><u>\$39,541,112</u></b>	<b><u>\$36,749,763</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

	2010	2009	2008
<b>OPERATING REVENUES</b>			
Passenger fares	\$ 3,474,900	\$ 4,183,299	\$ 3,443,336
Other fares	<u>5,518,758</u>	<u>4,044,383</u>	<u>3,253,437</u>
<b>TOTAL OPERATING REVENUES</b>	<b>8,993,658</b>	<b>8,227,682</b>	<b>6,696,773</b>
<b>NON-OPERATING REVENUES</b>	<u>14,375,008</u>	<u>12,720,754</u>	<u>12,304,372</u>
<b>TOTAL REVENUES</b>	<b><u>23,368,666</u></b>	<b><u>20,948,436</u></b>	<b><u>19,001,145</u></b>
<b>OPERATING EXPENSES</b>	20,388,593	21,703,438	19,575,608
DEPRECIATION	<u>5,193,612</u>	<u>4,310,691</u>	<u>3,738,102</u>
<b>TOTAL EXPENSES</b>	<b>25,582,205</b>	<b>26,014,129</b>	<b>23,313,710</b>
Funds received for Capital Purchases	<u>7,292,648</u>	<u>4,625,644</u>	<u>2,279,692</u>
<b>CHANGE IN NET ASSETS</b>	<b><u>\$ 5,079,109</u></b>	<b><u>\$ (440,049)</u></b>	<b><u>\$ (2,032,873)</u></b>

#### YEAR-TO-YEAR COMPARISON

FY2010, ridership for Fixed Route decreased 5.47%, RideShare customers decreased 4.67% due to the falling gas prices, and Paratransit service decreased by 1.62%. Passenger fares are down 16.93% over FY2009 as a result of the falling gas prices and layoffs at several major area employers. Other fares increased by 36.45%. Total operating revenues increased 9.31% over FY2009.

Fixed Route had a 15.38% increase in total operating revenues. A Fare increase of 16% was adopted for FY2010. An increase was seen in the contracted services area, which includes the unlimited access program, OTT passes, and other contracted services.

Paratransit ridership decreased by 1.62% and had a 3.06% decrease in total operating revenues. The Average Trip length increased by 3.84%.

Ride Share had a 4.67% decrease in ridership and an 8.95% increase in operating revenues:

- 100 vans were in operation at year-end compared to 95 vans last year.
- Average fare was down 6%, \$823 FY2010 as compared to \$872 FY2009.
- Rideshare incorporated a fare increase for FY2010.

Non-operating revenues increased 13.00%.

- Property tax revenue is up 8.37% from increased property valuations.
- FTA operating assistance increased by 36.00%, which includes \$788,803 in one-time ARRA funding.

Operating expenses were 6.06% less than the prior year.

## YEAR-TO-YEAR COMPARISON (continued)

Fixed Route had a 10.62% decrease or \$ 1,896,933 in operating expense:

- A decrease in the self insurance reserve to fund the outstanding pending claims is the major contributor to the decrease in operating expenses. The majority of the decrease is due to a reduction in injuries and damages paid out.
- Vehicle maintenance parts decreased significantly due to lower fuels and lubricants expenditures.
- Service expenses decreased in the areas of general administration, accounting, personnel, marketing, and building and grounds.

Paratransit expenses increased 16.17% over FY2009, \$490,238:

- Fuels and lubricants increased 46% over 2009, \$106,911.
- Contracted services, cabs expense increased 13.5% as they are taking more trips.

RideShare had an increase in expenses over the previous year of 11.32%, \$91,850:

- RideShare's overhead allocation increased by \$43,152.

## BUDGETARY HIGHLIGHTS

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

- Fixed Route
  - Passenger fares were 4.2% over budget due to fare increases and increases in unlimited access customers and other contracted services.
  - Non-operating revenues were 13% over budget with an increase in FTA operating funding for planning and the receipt of one-time ARRA funding.
  - Operating expenses were within 1% of the adopted budget.
- Paratransit
  - Operating revenue was 9.4% below budget. The number of trips was less than projected due to agency funding constraints.
  - Operating expenses were 15% under budget. Vehicle repair costs and fuels and lubricants were areas of significant savings compared to budget.
- RideShare
  - Operating revenue was 2.8% below budget. Layoffs at a number of large employers occurred during FY2010.
  - Operating expenses were 27% over budget due to higher than anticipated funded depreciation.

CAPITAL ASSET AND DEBT ADMINISTRATION

As of June 30, 2010 DART has invested approximately \$30 million in capital assets, net of depreciation. This amount is an increase of \$4.8 million over June 30, 2009.

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

	2010	2009	2008
LAND	\$ 185,009	\$ 185,009	\$ 185,009
CONSTRUCTION IN PROGRESS	1,897,305	341,173	-
BUILDINGS & IMPROVEMENTS	4,187,337	4,464,596	4,736,368
REVENUE VEHICLES & EQUIPMENT	21,421,577	17,686,448	16,404,385
EQUIPMENT	<u>1,838,653</u>	<u>2,019,840</u>	<u>1,236,390</u>
<b>TOTALS</b>	<b><u>\$29,529,881</u></b>	<b><u>\$24,697,066</u></b>	<b><u>\$22,562,152</u></b>

- o Additions to Capital Assets totaled \$10,074,434. Major purchases were approximately:

RideShare vans (2)	\$ 72,000
On Call buses (4)	\$ 272,000
Upgrades for buildings and property	\$ 220,000
Paratransit buses (2)	\$ 122,000
Fare boxes and camera systems on revenue equipment	\$ 349,000
Fixed route buses (20 buses and 16 new engines)	\$6,848,000
Construction in progress	\$1,556,000

- o Disposals totaling \$7,704,931 were made from buildings and improvements, revenue vehicles equipment, and equipment. Disposal related primary to the disposition of fully depreciated capital assets.
- o DART has a fixed-route fleet of 128 vehicles with an average age of 6.16 years, On Call has 13 vehicles with an average age of 4.25 years, and a Paratransit fleet of 31 vehicles with an average age of 5.23 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 software system implemented in FY2009.
- DART issued \$3,500,000 in Limited Tax General Obligation Bonds during FY2010. The bonds mature in varying annual amounts ranging from \$320,000 to \$400,000, with the final maturity due in the year ending June 30, 2020. The proceeds were used to pay certain costs of issuance related to the bonds and to provide funds for payment of claims and repayment of any existing debt obligation incurred for the payment of claims. The bonds will be repaid from revenues and other available funds and are secured by substantially all assets of the Authority.

Current Liabilities include;

- DART has \$2,162,000 in self insurance reserves committed to pending outstanding liability claims. The company self insures accidents for the first \$500,000 and carries an umbrella liability policy for \$10 million above that. DART currently budgets to reserve (1) for the recommended base for normal course of business claims, (2) for the current pending claims, and (3) for future catastrophe events.
- Post-retirement Obligations totaled \$145,727 at June 30, 2010. GASB 45 required an actuary study to determine the reserve for a two year period. FY2009 was 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

The DART Commission approved service reductions amounting to approximately \$550,000 in order to balance the budget for FY2011.

DART will continue to focus on building the safety culture and maintaining appropriate and adequate self insurance reserves.

The new Transit Hub is in the final design phase and is expected to go out for bid in early 2011.

The storage barn expansion project is expected to be completed in January 2011.

The City of Grimes has rescinded its November 2009 letter stating its intention to withdraw from DART.

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 515/283-8119 or write care of: Chief Financial Officer, Des Moines RTA, 1100 DART Way, Des Moines, IA 50309.

## FINANCIAL STATEMENTS

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

	<b>June 30</b>	
<b>ASSETS</b>	<b>2010</b>	<b>2009</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 4,891,292	\$ 2,262,262
Accounts receivable		
Trade (less allowance for doubtful accounts 2010 \$31,127, 2009 \$21,127)	1,014,831	777,359
FTA	2,875,787	3,213,770
Other	4,028	7,300
Property tax receivable		
Succeeding year	6,593,641	6,240,935
Delinquent	70,093	91,356
Inventories	868,265	2,131,399
Prepaid expenses	266,439	119,665
Total current assets	<u>16,584,376</u>	<u>14,844,046</u>
<b>CAPITAL ASSETS</b>	60,454,559	58,085,056
Less accumulated depreciation and amortization	<u>30,924,678</u>	<u>33,387,990</u>
Total capital assets	<u>29,529,881</u>	<u>24,697,066</u>
<b>BOND ISSUANCE COSTS</b> , net of amortization of \$-0- in 2010	<u>87,553</u>	<u>—</u>
Total assets	<u>\$46,201,810</u>	<u>\$39,541,112</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current obligations of capital leases	\$ 279,797	\$ 269,261
Current portion of general obligation bonds payable	320,000	—
Accounts payable	1,248,523	1,755,931
Construction contracts payable	27,303	—
Accrued and withheld payroll, payroll taxes and benefits	1,123,747	899,160
Succeeding year property taxes	6,593,641	6,240,935
Deferred revenue	81,061	97,870
Accrued interest payable	7,037	5,521
Accrued self insurance claims	2,162,000	3,880,004
Total current liabilities	<u>11,843,109</u>	<u>13,148,682</u>
<b>LONG-TERM LIABILITIES</b>		
Capital leases, less current obligations	786,330	1,066,127
Post retirement benefits payable	145,727	132,063
General obligation bonds payable, less current portion	<u>3,153,295</u>	—
Total long-term liabilities	<u>4,085,352</u>	<u>1,198,190</u>
Total liabilities	<u>15,928,461</u>	<u>14,346,872</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	28,463,754	23,361,678
Unrestricted	<u>1,809,595</u>	<u>1,832,562</u>
Total net assets	<u>30,273,349</u>	<u>25,194,240</u>
Total liabilities and net assets	<u>\$46,201,810</u>	<u>\$39,541,112</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, 2010</u>			<u>Total</u>	<u>Year ended</u>
	<u>Fixed route</u>	<u>Paratransit</u>	<u>Rideshare</u>	<u>2010</u>	<u>June 30,</u>
					<u>2009</u>
<b>OPERATING REVENUES</b>	\$ 5,688,831	\$2,318,976	\$ 985,851	\$ 8,993,658	\$ 8,227,682
<b>OPERATING EXPENSES (EXCEPT DEPRECIATION AND AMORTIZATION)</b>	<u>15,962,338</u>	<u>3,522,819</u>	<u>903,436</u>	<u>20,388,593</u>	<u>21,703,438</u>
Operating income (loss) before depreciation and amortization	(10,273,507)	(1,203,843)	82,415	(11,394,935)	(13,475,756)
<b>DEPRECIATION AND AMORTIZATION</b>	<u>4,370,453</u>	<u>392,555</u>	<u>430,604</u>	<u>5,193,612</u>	<u>4,310,691</u>
Operating loss including depreciation and amortization	<u>(14,643,960)</u>	<u>(1,596,398)</u>	<u>(348,189)</u>	<u>(16,588,547)</u>	<u>(17,786,447)</u>
<b>OTHER INCOME (EXPENSE)</b>					
Government operating assistance					
Member municipalities	679,992	350,000	-	1,029,992	744,000
Property tax	6,240,731	-	-	6,240,731	5,758,609
FTA operating assistance	5,230,497	166,500	-	5,396,997	3,968,185
IDOT operating assistance	882,754	-	-	882,754	863,901
IDOT special projects	196,259	-	-	196,259	30,949
FTA grant income	306,733	240,138	-	546,871	1,084,567
Gain on disposition of capital assets	60,459	(42,236)	28,761	46,984	17,483
Investment income	1,652	-	-	1,652	21,637
Advertising income	158,978	-	-	158,978	196,202
Miscellaneous income (expense)	14,322	7,605	3,290	25,217	78,348
Interest expense	(151,427)	-	-	(151,427)	(43,127)
Total other income	<u>13,620,950</u>	<u>722,007</u>	<u>32,051</u>	<u>14,375,008</u>	<u>12,720,754</u>
Net (loss) before capital revenues	\$ <u>(1,023,010)</u>	\$ <u>(874,391)</u>	\$ <u>(316,138)</u>	(2,213,539)	(5,065,693)
Capital revenue from federal and state grants				<u>7,292,648</u>	<u>4,625,644</u>
Increase (decrease) in net assets				5,079,109	(440,049)
<b>NET ASSETS, beginning</b>				<u>25,194,240</u>	<u>25,634,289</u>
<b>NET ASSETS, ending</b>				<u>\$30,273,349</u>	<u>\$25,194,240</u>

See Notes to Financial Statements.

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

	<b>Year ended June 30</b>	
	<b>2010</b>	<b>2009</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from operations	\$ 8,742,649	\$ 7,674,183
Cash paid to suppliers for goods and services	(10,977,312)	(10,541,828)
Cash paid to employees for services	(10,711,404)	(9,859,725)
Net cash (used in) operating activities	<u>(12,946,067)</u>	<u>(12,727,370)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Municipal support	679,992	744,000
Property taxes received	6,261,994	5,735,663
Other government assistance	5,497,094	7,490,620
Proceeds from issuance of general obligation bonds	3,385,742	-
Cash received from other sources	<u>184,195</u>	<u>274,550</u>
Net cash provided by noncapital financing activities	<u>16,009,017</u>	<u>14,244,833</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	<u>1,652</u>	<u>21,637</u>
Net cash provided by investing activities	<u>1,652</u>	<u>21,637</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Federal, state and municipal funds received for capital expenditures	9,506,418	2,406,061
Proceeds on disposition of capital assets	94,991	17,478
Interest paid	(149,911)	(42,946)
Purchase of capital assets	(9,617,809)	(5,357,478)
Principal payments on capital lease	<u>(269,261)</u>	<u>(259,131)</u>
Net cash (used in) capital and related financing activities	<u>(435,572)</u>	<u>(3,236,016)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	2,629,030	(1,696,916)
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning	<u>2,262,262</u>	<u>3,959,178</u>
Ending	<u>\$ 4,891,292</u>	<u>\$ 2,262,262</u>

See Notes to Financial Statements.

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

	<b>Year ended June 30</b>	
	<b>2010</b>	<b>2009</b>
<b>RECONCILIATION OF OPERATING (LOSS) TO NET CASH (USED IN) OPERATING ACTIVITIES</b>		
Loss from operations	\$(16,588,547)	\$(17,786,447)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities		
Depreciation and amortization	5,193,612	4,310,691
(Increase) in accounts receivable, net of noncapital financing activities	(234,200)	(591,357)
(Increase) decrease in inventories	1,263,134	(675,568)
(Increase) decrease in prepaid expenses	(146,774)	45,276
Increase (decrease) in accounts payable, net of amounts for capital assets	(936,730)	29,728
Increase in accrued and withheld payroll, payroll taxes and benefits	224,587	25,903
Increase (decrease) in deferred revenue	(16,809)	37,858
Increase (decrease) in accrued self insurance claims	(1,718,004)	1,880,004
Increase (decrease) in post retirement benefits payable	<u>13,664</u>	<u>(3,458)</u>
Net cash (used in) operating activities	<u><u>\$(12,946,067)</u></u>	<u><u>\$(12,727,370)</u></u>

**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, 2010 and unpaid taxes. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

**Inventories**

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

**Net Assets**

Net assets are presented in the following two components:

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

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

**Unrestricted**

Unrestricted net assets have no externally imposed restrictions on use.

**Capital Assets**

Capital assets are stated at cost. The costs of normal maintenance and repair not adding to the value of the assets or materially extending asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is included as part of the capitalized value of the assets constructed. Interest expense in the amount of \$-0- and \$30,573, respectively, was capitalized for the years ended June 30, 2010 and 2009. Reportable capital assets are defined by the Authority as assets with initial, individual costs in excess of \$5,000. 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.

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

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

**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, 2010 and 2009, 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, 2010, disbursements did not exceed 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, 2010 and 2009 was \$258,247 and \$107,988, respectively.

**NOTE 2 CASH AND INVESTMENTS**

The Authority's deposits in banks at June 30, 2010 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 CAPITAL ASSETS**

Capital assets activity consists of the following:

	<u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2010</u>
Capital assets not being depreciated				
Land	\$ 185,009	\$ -	\$ -	\$ 185,009
Construction in progress	<u>341,173</u>	<u>1,556,132</u>	<u>-</u>	<u>1,897,305</u>
Total capital assets not being depreciated	<u>526,182</u>	<u>1,556,132</u>	<u>-</u>	<u>2,082,314</u>
Capital assets being depreciated/amortized				
Buildings	9,703,202	220,348	168,699	9,754,851
Revenue equipment	33,779,856	7,113,710	5,881,207	35,012,359
On Call revenue equipment	404,904	305,598	-	710,502
Fare collection equipment	1,021,080	210,897	17,220	1,214,757
Service cars and trucks	543,802	-	47,409	496,393
Shop and garage equipment	716,302	27,342	302,016	441,628
Furniture and office equipment	361,795	11,751	296,765	76,781
Computer equipment	2,867,723	160,958	218,867	2,809,814
Miscellaneous equipment	481,129	48,826	80,701	449,254
Communication equipment	772,212	224,739	44,495	952,456
Paratransit vehicles	4,239,487	122,434	397,071	3,964,850
Rideshare vehicles	<u>2,667,382</u>	<u>71,699</u>	<u>250,481</u>	<u>2,488,600</u>
Total capital assets being depreciated/amortized	57,558,874	8,518,302	7,704,931	58,372,245
Less accumulated depreciation and amortization	<u>33,387,990</u>	<u>5,193,612</u>	<u>7,656,924</u>	<u>30,924,678</u>
Total capital assets being depreciated/amortized, net	<u>24,170,884</u>	<u>3,324,690</u>	<u>48,007</u>	<u>27,447,567</u>
Net capital assets	<u>\$24,697,066</u>	<u>\$4,880,822</u>	<u>\$ 48,007</u>	<u>\$29,529,881</u>
	<u>July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2009</u>
Capital assets not being depreciated				
Land	\$ 185,009	\$ -	\$ -	\$ 185,009
Construction in progress	<u>-</u>	<u>341,173</u>	<u>-</u>	<u>341,173</u>
Total capital assets not being depreciated	<u>185,009</u>	<u>341,173</u>	<u>-</u>	<u>526,182</u>
Capital assets being depreciated/amortized				
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	<u>2,277,184</u>	<u>518,487</u>	<u>128,289</u>	<u>2,667,382</u>
Total capital assets being depreciated/amortized	52,483,511	6,104,423	1,029,060	57,558,874
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>
Total capital assets being depreciated/amortized, net	<u>22,377,143</u>	<u>1,793,741</u>	<u>-</u>	<u>24,170,884</u>
Net capital assets	<u>\$22,562,152</u>	<u>\$2,134,914</u>	<u>\$ -</u>	<u>\$24,697,066</u>

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

**NOTE 3 CAPITAL ASSETS (continued)**

At June 30, 2010 and 2009, revenue equipment includes transportation vehicles under capital lease with historical cost of \$4,440,004 and accumulated amortization of \$2,749,954 and \$2,381,502, respectively. Amortization expense for these assets totaled \$368,452 for the years ended June 30, 2010 and 2009.

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.

At June 30, 2010, construction in progress includes three projects: automatic vehicle specifications and procurement in the amount of \$106,799; construction on the bus storage facility in the amount of \$1,105,850; and architectural and engineering costs related to the transit hub project in the amount of \$684,656.

**NOTE 4 CAPITAL LEASES**

Capital leases consisted of the following as of June 30, 2010:

An agreement to acquire 16 buses under a capital lease. The related liability under the lease at June 30, 2010 is \$583,487. The obligation is due in semiannual installments of \$72,549 through November, 2014. The interest rate at June 30, 2010 was 4.55%.

An agreement to finance the acquisition of software under a capital lease. The related liability under the lease at June 30, 2010 is \$482,640. The obligation is due in monthly installments of \$14,485 through May, 2013. The interest rate at June 30, 2010 was 3.31%.

At June 30, 2010, future minimum lease payments are as follows:

2011		\$ 318,913
2012		318,913
2013		304,428
2014		145,099
2015		<u>72,549</u>
Total		1,159,902
Less amount representing interest		<u>93,775</u>
		1,066,127
Less current obligations under capital lease		<u>279,797</u>
Capital lease obligations, net of current obligations		<u>\$ 786,330</u>

A summary of changes in capital leases are as follows:

	<u>July 1, 2009</u>	<u>Additions</u>	<u>Payments</u>	<u>June 30, 2010</u>	<u>Due within one year</u>
Capital lease	\$ <u>1,335,388</u>	\$ <u>—</u>	\$ <u>269,261</u>	\$ <u>1,066,127</u>	\$ <u>279,797</u>
	<u>July 1, 2009</u>	<u>Additions</u>	<u>Payments</u>	<u>June 30, 2010</u>	<u>Due within one year</u>
Capital lease	\$ <u>1,594,519</u>	\$ <u>—</u>	\$ <u>259,131</u>	\$ <u>1,335,388</u>	\$ <u>269,261</u>

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

**NOTE 4 CAPITAL LEASES (continued)**

Total interest cost, including amounts capitalized, were \$151,427 and \$73,700 for the years ended June 30, 2010 and 2009, respectively. Of the total interest cost for the year ended June 30, 2010, \$54,153 was incurred on capital leases, \$94,738 was incurred on the lines of credit outstanding during 2010, and \$2,536 was incurred on the general obligation bonds payable. Of the total interest cost for the year ended June 30, 2009, \$59,962 was incurred on capital leases and \$13,738 was incurred on the lines of credit outstanding during 2009.

**NOTE 5 LINE OF CREDIT**

The Authority had maintained an \$800,000 revolving line of credit and a \$500,000 advised guidance line of credit for working capital and bulk diesel fuel purchases with a bank. The \$800,000 line of credit was closed on October 7, 2009. The \$500,000 line of credit expired December 31, 2009 and was not renewed.

**NOTE 6 GENERAL OBLIGATION BONDS PAYABLE**

In June 2010, the Authority issued \$3,500,000 in Limited Tax General Obligation Bonds with interest rates ranging from 1.00% to 3.15% per annum. The general obligation bonds mature in varying annual amounts, ranging from \$320,000 to \$400,000, with the final maturity due in the year ending June 30, 2020.

The following is a summary of changes in general obligation bonds of the Authority as of June 30, 2010:

	<u>Balance June 30, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2010</u>	<u>Due within one year</u>
General obligation bonds	\$ <u>—</u>	\$ <u>3,473,295</u>	\$ <u>—</u>	\$ <u>3,473,295</u> (1)	\$ <u>320,000</u>

(1) Bonds were sold at a discount; unamortized discount at June 30, 2010 totaled \$26,705.

A summary of the annual general obligation bond principal and interest requirements to maturity by year is as follows:

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 320,000	\$ 69,752	\$ 389,752
2012	320,000	71,093	391,093
2013	325,000	67,893	392,893
2014	330,000	63,830	393,830
2015	340,000	58,550	398,550
2016-2020	<u>1,865,000</u>	<u>167,070</u>	<u>2,032,070</u>
	<u>\$3,500,000</u>	<u>\$ 498,188</u>	<u>\$3,998,188</u>

**NOTE 7 ACCOUNTS RECEIVABLE—FTA**

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

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

**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 4.30% of their annual salary and the Authority is required to contribute 6.65% of annual covered payroll. Contribution requirements are established by State statute. The Authority's contribution to IPERS for the years ended June 30, 2010, 2009 and 2008, were \$650,966, \$594,630 and \$533,138, respectively, equal to the required contributions for each year.

**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 the year ended June 30, 2010 and 2009 that matches participant's contributions to the Plan up to 5%, of the individual participant's eligible compensation. Total expense for the years ended June 30, 2010 and 2009 was \$23,914 and \$22,907, respectively.

**NOTE 10 POST EMPLOYMENT BENEFITS**

**Plan Description**

The Authority 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 146 active and 9 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 10 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 2010, the Authority contributed \$56,515.

**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	\$ 126,375
Interest on net OPEB obligation	3,385
Adjustment to annual required contribution	<u>(8,424)</u>
Annual OPEB cost (expense)	121,336
Contributions and payments made	<u>107,672</u>
Increase in net OPEB obligation	13,664
Net OPEB obligation, July 1, 2009	<u>132,063</u>
Net OPEB obligation, June 30, 2010	<u>\$ 145,727</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 2010 follows.

<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, 2010	\$ <u>121,336</u>	<u>88.7%</u>	\$ <u>145,727</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, 2010. 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, 2010. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$10,950,000, and the ratio of the UAAL to the covered payroll was 8.3%. As of June 30, 2010, there were no trust fund assets.

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

**NOTE 10 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 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 \$500,000 retained limit per occurrence and \$10,000,000 aggregate limit with regard to their general liability insurance. Prior to the year ended June 30, 2010, the retained limit per occurrence was \$2,000,000.

At June 30, 2010 and 2009, the Authority had established reserves of \$2,162,000 and \$3,880,004, 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, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Accrued claims at beginning of year	\$3,880,004	\$2,000,000
Claims paid	(2,426,248)	(64,592)
Amount reserved	<u>708,244</u>	<u>1,944,596</u>
Accrued claims at end of year	<u>\$2,162,000</u>	<u>\$3,880,004</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 statement which might impact the Authority is as follows:

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, will be effective for the Authority beginning with its year ending June 30, 2011. This statement establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental fund types.

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

**NOTE 13 COMMITMENTS**

The Authority has entered into contract commitments for the completion of the architectural and engineering for the bus storage facility and transit hub projects. The total contract commitment is \$1,946,809, of which \$793,592 has been incurred as of June 30, 2010. The unpaid commitment balance is \$1,180,520, which will be funded by current reserves and federal grant funds. Costs incurred on these projects as of June 30, 2010, are included in construction in progress as a component of capital assets.

**NOTE 14 SUBSEQUENT EVENTS**

In October 2010, the Authority settled a pedestrian incident claim in the amount of \$1,100,000. The financial statements have been adjusted to reflect this settlement amount, as the settlement related to an estimate in accrued self insurance claims that existed as of the balance sheet date of June 30, 2010.

In addition, subsequent to year-end, the Authority entered into the following agreements: for a transit services plan and alternatives analysis not to exceed \$700,000; and for automatic vehicle location and real time information system and implementation assistance from two vendors not to exceed \$2,748,531.

**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, 2010**

	<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>	\$30,812,741	\$ -	\$30,812,741	\$18,277,376	\$21,484,757	\$ 9,327,984
<b>EXPENSES</b>	<u>25,733,632</u>	<u>4,379,548</u>	<u>21,354,084</u>	<u>17,850,126</u>	<u>22,100,143</u>	<u>(746,059)</u>
Excess of revenues over expenses	5,079,109	4,379,548	9,458,657	427,250	(615,386)	10,074,043
<b>BALANCES</b> , beginning of year	<u>25,194,240</u>	<u>25,194,240</u>	<u>25,194,240</u>	<u>25,194,240</u>	<u>25,194,240</u>	<u>-</u>
<b>BALANCES</b> , end of year	<u>\$30,273,349</u>	<u>\$29,573,788</u>	<u>\$34,652,897</u>	<u>\$25,621,490</u>	<u>\$24,578,854</u>	<u>\$10,074,043</u>

See Accompanying Independent Auditor's Report.

**Des Moines Area Regional Transit Authority**  
**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING**  
**Year ended June 30, 2010**

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 is not included in operating expenditures on the budget basis. During the year ended June 30, 2010, expenses did not exceed the amount budgeted.

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

**Required Supplementary Information**

<u>Fiscal year ended</u>	<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>
June 30, 2009	January 1, 2009	\$ <u>—</u>	<u>\$907</u>	<u>\$907</u>	<u>0.0%</u>	<u>\$ 9,882</u>	<u>9.2%</u>
June 30, 2010	January 1, 2009	\$ <u>—</u>	<u>\$907</u>	<u>\$907</u>	<u>0.0%</u>	<u>\$10,950</u>	<u>8.3%</u>

See Note 10 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**

	<u>Year ended June 30</u>	
	<u>2010</u>	<u>2009</u>
<b>COMMISSION DESIGNATED NET ASSETS</b>		
For fixed asset purchases		
Fixed route	\$ (201,378)	\$ 453,729
Paratransit	634,078	584,540
Rideshare	<u>786,102</u>	<u>692,551</u>
Total for fixed asset purchases	<u>1,218,802</u>	<u>1,730,820</u>
Other		
Contributed capital	<u>490,619</u>	<u>490,619</u>
Total commission designated net assets	<u>1,709,421</u>	<u>2,221,439</u>
<b>UNDESIGNATED NET ASSETS</b>		
Fixed route	1,331,647	(942,112)
Paratransit	(805,085)	322,653
Rideshare	<u>(426,388)</u>	<u>230,582</u>
Total undesignated net assets	<u>100,174</u>	<u>(388,877)</u>
Total unrestricted net assets	<u>\$1,809,595</u>	<u>\$1,832,562</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>2010</u>	<u>2009</u>
<b>OPERATING REVENUES</b>		
Passenger revenue	\$ 2,404,025	\$ 3,196,012
Contracted service	<u>3,284,806</u>	<u>1,734,629</u>
Total operating revenues	<u>5,688,831</u>	<u>4,930,641</u>
<b>OPERATING EXPENSES</b>		
Transportation	10,592,602	9,819,448
Maintenance	1,943,404	2,801,406
Insurance	1,010,446	2,353,009
General and administration	658,969	811,309
Accounting	257,606	682,124
Planning	367,806	352,094
Personnel	204,315	278,203
Marketing	266,930	452,196
Advertising	242,313	84,802
Building and grounds	417,947	645,236
Paratransit (fixed route administrative charge/reimbursement)	-	(321,586)
Rideshare (fixed route administrative charge)	-	(98,970)
Operating expenses except depreciation	<u>15,962,338</u>	<u>17,859,271</u>
Operating loss before depreciation	(10,273,507)	(12,928,630)
<b>DEPRECIATION</b>	<u>4,370,453</u>	<u>3,429,029</u>
Operating loss including depreciation	(14,643,960)	(16,357,659)
<b>OTHER INCOME (EXPENSE)</b>		
Government operating assistance		
Member municipalities	679,992	400,000
Property tax	6,240,731	5,758,609
FTA operating assistance	5,230,497	3,755,986
IDOT operating assistance	882,754	863,901
IDOT special projects	196,259	30,949
FTA grant income	306,733	899,678
Gain on disposition of fixed assets	60,459	2,063
Interest income	1,652	21,637
Advertising income	158,978	196,202
Miscellaneous income	14,322	78,285
Interest expense	(151,427)	(43,127)
Total operating assistance and other income	<u>13,620,950</u>	<u>11,964,183</u>
Net loss after other income	<u>\$ (1,023,010)</u>	<u>\$ (4,393,476)</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>2010</u>	<u>2009</u>
<b>OPERATING REVENUES</b>		
Service income		
Polk County	\$ 816,043	\$ 825,677
Fare paying clients	85,024	82,473
Service income, other	<u>1,417,909</u>	<u>1,484,077</u>
Total operating revenues	<u>2,318,976</u>	<u>2,392,227</u>
<b>OPERATING EXPENSES</b>		
Administrative wages	293,811	288,414
Mechanics wages	210,995	185,189
Drivers wages	807,731	714,858
Employee benefits	169,561	154,162
RTA staff assistance	—	225,545
Rent	—	39,588
Payroll taxes	252,675	216,605
Insurance	249,996	403,001
Fuel and lubricants	338,361	231,450
Maintenance and repairs	872,027	303,384
Contracted services, cabs	310,566	273,598
Legal and accounting	449	10,606
Office expenses	1,720	10,310
Credit for interdivision services	—	(61,333)
Other	<u>14,927</u>	<u>37,204</u>
Total operating expenses	<u>3,522,819</u>	<u>3,032,581</u>
Operating loss before depreciation	(1,203,843)	(640,354)
<b>DEPRECIATION</b>	<u>392,555</u>	<u>406,598</u>
Operating loss including depreciation	(1,596,398)	(1,046,952)
<b>OTHER INCOME (EXPENSE)</b>		
Government operating assistance		
ADA subsidy	350,000	344,000
FTA grant income	240,138	184,889
FTA operating assistance	166,500	212,199
Gain (loss) on disposition of fixed assets	(42,236)	1,081
Advertising and other income	<u>7,605</u>	<u>—</u>
Total other income	<u>722,007</u>	<u>742,169</u>
Net loss after other income	\$ <u>(874,391)</u>	\$ <u>(304,783)</u>

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

	<b>Year ended June 30</b>	
	<b>2010</b>	<b>2009</b>
<b>OPERATING REVENUES</b>	<b>\$ 985,851</b>	<b>\$ 904,814</b>
<b>OPERATING EXPENSES</b>		
Wages and benefits	121,188	117,612
Service contracts	7,642	9,168
Travel	40	2,275
Professional fees	—	5,848
Office supplies	8,036	9,627
Van miscellaneous	17,777	7,279
Administrative miscellaneous	4,559	6,184
Office rent	—	59,382
Promotional events	15,934	4,229
Insurance	48,952	93,505
Maintenance and repairs	327,876	150,068
Gas and oil	346,999	343,600
Drug screening	4,433	2,809
Total operating expenses	<u>903,436</u>	<u>811,586</u>
Operating income before depreciation	82,415	93,228
<b>DEPRECIATION</b>	<u>430,604</u>	<u>475,064</u>
Operating loss including depreciation	<u>(348,189)</u>	<u>(381,836)</u>
Gain on disposition of fixed assets	28,761	14,339
Miscellaneous income	3,290	63
Total other income	<u>32,051</u>	<u>14,402</u>
Net loss after other income	<u>\$ (316,138)</u>	<u>\$ (367,434)</u>

See Accompanying Independent Auditor's Report.

**Des Moines Area Regional Transit Authority**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year ended June 30, 2010

<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	\$ 517,314
Federal Transit Formula Grants	20.507	6,433,294
Federal Transit Formula Grants - ARRA	20.507	<u>3,415,590</u>
Total Federal Transit Cluster		<u>10,366,198</u>
Highway Planning and Construction Cluster		
Highway Planning and Construction	20.205	520,000
Transit Services Programs Cluster		
Federal Transit Job Access - Reverse Commute	20.516	170,788
New Freedom Program	20.521	<u>115,327</u>
Total Transit Services Programs Cluster		<u>286,115</u>
Total direct		<u>11,172,313</u>
Indirect		
Iowa Department of Transportation		
Department of Transportation/Federal Transit Administration		
Federal Transit Cluster		
Federal Transit Capital Investment Grants	20.500	2,408,850
Formula Grants for other than Urbanized Areas	20.509	46,640
Transit Services Programs Cluster		
Federal Transit Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	279,697
Highway Planning and Construction Cluster		
Highway Planning and Construction	20.205	248,764
Iowa Department of Natural Resources		
Environmental Protection Agency		
State Clean Diesel Grant Program - ARRA	66.040	<u>182,631</u>
Total indirect		<u>3,166,582</u>
Total federal expenditures		<u>\$14,338,895</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, 2010, and have issued our report thereon dated January 6, 2011. 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 deficiency in internal control 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 and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

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 over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above. However, we identified a certain deficiency in internal control over reporting, described in Part II of the accompanying Schedule of Findings and Questioned Costs, that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### **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, 2010 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 6, 2011

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON 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, 2010. 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 on 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, 2010.

### **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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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 deficiencies, 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*

**DENMAN & COMPANY, LLP**

West Des Moines, Iowa  
January 6, 2011

**Des Moines Area Regional Transit Authority**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year ended June 30, 2010**

**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 20.500, 20.507 - Federal Transit Cluster
  - \*CFDA Number 66.040 - EPA State Clean Diesel Grant Program
- (h) The dollar threshold used to distinguish between type A and B programs was \$430,167.
- (i) The Des Moines Area Regional Transit Authority qualifies as a low-risk auditee.

**Des Moines Area Regional Transit Authority**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)**  
**Year ended June 30, 2010**

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

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

10-II-A Finding: During the audit, we identified the Authority's property and equipment balances, per detailed records including construction in progress, accumulated depreciation, depreciation expense, and gain on disposition of fixed assets accounts, were not adjusted to their appropriate balance, in the general ledger as of June 30, 2010. In addition, the Authority's inventory, accrued vacation, and net asset accounts were not adjusted to their appropriate balances as of June 30, 2010.

Condition: The Authority did not adjust the accounts above prior to the start of the audit due to such responsibility not being appropriately assigned and monitored during a change in personnel transition period.

Context: Entries were needed to adjust the Authority's accounts at year end to the supporting detailed records.

Effect: Actual results were not adjusted prior to audit.

Recommendation: We recommend the Authority assign appropriate individuals the responsibility for reconciling all listed accounts. In addition, those reconciliations should be monitored and reviewed by an individual of appropriate knowledge and authority.

Response and corrective action plan: Procedures will be verified to insure reconciliation of these accounts as well as monitoring and review of the reconciliation process.

**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 (continued)**  
**Year ended June 30, 2010**

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

- IV-A-10** **Certified Budget** - Disbursements during the year ended June 30, 2010 did not exceed 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.
- IV-B-10** **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-10** **Travel Expense** - No disbursements of Authority money for travel expenses of spouses of Authority officials or employees were noted.
- IV-D-10** **Business Transactions** - No business transactions between the Authority and Authority officials or employees were noted.
- IV-E-10** **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-10** **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, 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 public notice as required.
- Response** - We will publish all minutes with public notice as required.
- Conclusion** - Response accepted.
- IV-G-10** **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-10** **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, 2010**

<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>				
10-II-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 10-II-A	June 30, 2010	Jamie Schug