

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

FINANCIAL REPORT

June 30, 2011

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**Des Moines Area Regional Transit Authority
OFFICIALS**

<u>Name and Title</u>	<u>Representing</u>
COMMISSION	
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
AUTHORITY	
Elizabeth Presulti, 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, 2011 and 2010 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, 2011 and 2010, 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 March 5, 2012, 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.

Accounting principles generally accepted in the United States of America require that 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 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. Other supplementary information as listed on pages 30-35 on the contents page, including 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. The supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information 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
March 5, 2012

**Des Moines Area Regional Transit Authority
Management's Discussion and Analysis
Year Ended June 30, 2011**

This section of the Des Moines Area Regional Transit Authority's (DART) annual financial report provides an overview of financial activities for the fiscal year ended June 30, 2011. 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 decreased \$116,615 for the twelve month period ending June 30, 2011.
 - Net additions to capital assets net of accumulated depreciation totaled \$169,758. Major purchases are outlined on page 20, in Note 3 Capital Assets, which include revenue vehicles for On Call and Rideshare and land and buildings related to the completion of the bus storage facility.
 - Total capital assets includes Construction in Progress of \$1,562,204 for the following projects: Transit Hub and Automatic Vehicle Locators (AVL).
 - Current assets decreased.

▪ Cash and cash equivalents increased	\$ 72,862
▪ Trade accounts receivable decreased	\$ (348,644)
▪ Federal grant receivables decreased	\$ (339,319)
▪ Property tax receivables increased	\$ 430,719
▪ Inventories decreased	\$ (129,203)
▪ Prepaid expenses increased	\$ 126,236

- Total liabilities decreased \$1,460,991 for the twelve month period ending June 30, 2011.
 - Current liabilities decreased \$953,260, 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 FY2011.
 - Current liabilities decreased.

▪ Accounts payable decreased	\$ (406,007)
▪ Deferred property taxes increased	\$ 422,790
▪ Reserves for self insurance claims decreased	\$(1,000,000)
 - Long-term liabilities decreased \$507,731 due to payments on capital leases and general obligation bonds payable.

- Total net assets increased by \$1,344,376 due to the increase in total capital assets, net, the decrease in capital lease obligations, and total revenues, including revenue from federal grants and member municipalities, exceeding total expenses in FY 2011.

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 Area Regional Transit Authority
Net Assets
June 30

	<u>2011</u>	<u>2010</u>	<u>2009</u>
CURRENT AND OTHER ASSETS	\$16,481,079	\$16,671,929	\$14,844,046
CAPITAL ASSETS, NET OF DEPRECIATION	<u>29,604,116</u>	<u>29,529,881</u>	<u>24,697,066</u>
TOTAL ASSETS	<u>\$46,085,195</u>	<u>\$46,201,810</u>	<u>\$39,541,112</u>
CURRENT LIABILITIES	\$10,889,849	\$11,843,109	\$13,148,682
LONG-TERM LIABILITIES	<u>3,577,621</u>	<u>4,085,352</u>	<u>1,198,190</u>
TOTAL LIABILITIES	<u>14,467,470</u>	<u>15,928,461</u>	<u>14,346,872</u>
INVESTED IN CAPITAL ASSETS*	28,817,786	28,463,754	23,361,678
UNRESTRICTED NET ASSETS	<u>2,799,939</u>	<u>1,809,595</u>	<u>1,832,562</u>
TOTAL NET ASSETS	<u>31,617,725</u>	<u>30,273,349</u>	<u>25,194,240</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$46,085,195</u>	<u>\$46,201,810</u>	<u>\$39,541,112</u>

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

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>
OPERATING REVENUES			
Passenger fares	\$ 3,248,741	\$ 3,474,900	\$ 4,183,299
Other fares	<u>4,894,517</u>	<u>5,518,758</u>	<u>4,044,383</u>
TOTAL OPERATING REVENUES	8,143,258	8,993,658	8,227,682
NON-OPERATING REVENUES	<u>15,426,029</u>	<u>14,375,008</u>	<u>12,720,754</u>
TOTAL REVENUES	<u>23,569,287</u>	<u>23,368,666</u>	<u>20,948,436</u>
OPERATING EXPENSES	20,119,731	20,388,593	21,703,438
DEPRECIATION	<u>4,874,627</u>	<u>5,193,612</u>	<u>4,310,691</u>
TOTAL EXPENSES	24,994,358	25,582,205	26,014,129
Funds received for Capital Purchases	<u>2,769,447</u>	<u>7,292,648</u>	<u>4,625,644</u>
CHANGE IN NET ASSETS	<u>\$ 1,344,376</u>	<u>\$ 5,079,109</u>	<u>\$ (440,049)</u>

YEAR-TO-YEAR COMPARISON

In FY2011, ridership for Fixed Route decreased 7.26%, Rideshare customers decreased 3.76% due to lower gas prices, and Paratransit ridership decreased by 7.45%. Passenger fares are down 6.51% from FY2010 resulting from the service reductions implemented late in FY2010. Other fares decreased by 11.31% due to a decrease in contracted services. Several factors contributed to the decrease, including the State of Iowa discontinuing funding for the D-Line and Unlimited Access. Total operating revenues decreased 9.46% from FY2010.

Fixed Route had a 13.78% decrease in total operating revenues. A decrease was seen in the contracted services area, which includes the unlimited access program, OTT passes, and other contracted services. Passenger fares also decreased as a result of service reductions implemented late in FY2010.

Paratransit ridership decreased by 7.45% and had a 0.67% increase in total operating revenues. The average trip length increased by 13.11%.

Rideshare had a 4.57% decrease in ridership and an 8.32% decrease in operating revenues:

- 94 vans were in operation at year-end compared to 100 vans last year.
- Average monthly fare was down 2.67%, \$801 in FY2011 as compared to \$823 in FY2010.
- Rideshare did not incorporate a fare increase for FY2011. Rideshare fare policy was reviewed by the Commission, and a fare increase was implemented for FY2012 in October 2011.

Non-operating revenues increased 7.31%.

- Property tax revenue is up 5.65% from increased property valuations.
- Miscellaneous income, including contribution of land via transfer of ownership, increased by \$494,569 primarily resulting from the acquisition of abandoned railroad right of way land and easements.

Operating expenses were 1.32% less than the prior year.

YEAR-TO-YEAR COMPARISON (continued)

Fixed Route had a 2.36% decrease of \$369,327 in operating expense:

- Significant service reductions were approved late in FY2010. FY2011 is the first full year of operations to reflect the reductions. Savings from the service reductions were approximately \$550,000.
- Total miles operated for Fixed Route decreased by 11.34% from FY2010.

Paratransit expenses increased 5.16% from FY2010, \$198,425:

- Fuels and lubricants increased 34.71% from FY2010, \$117,465.
- Contracted services, cabs expense decreased 36.67% as they are taking fewer trips.

Rideshare had a decrease in expenses from the previous year of 10.84%, \$97,960:

- Rideshare's maintenance and repairs decreased by \$105,564, approximately 25% of Rideshare's fleet of vans were replaced during FY2010 and FY2011, which contributed to lower maintenance costs.

BUDGETARY HIGHLIGHTS

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

- Fixed Route
 - Operating revenue was 8.45% over budget. Passenger fares fell due to service reductions; however, the decrease in fare revenues was not as much as anticipated.
 - Non-operating revenues were 1% over budget.
 - Operating expenses were within 1% of the adopted budget.
- Paratransit
 - Operating revenue was 8.8% below budget. The number of trips was less than projected due to agency funding constraints.
 - Operating expenses were 11.5% under budget. Vehicle repair costs and cab services were areas of significant savings compared to budget.
- Rideshare
 - Operating revenue was 11% below budget. Fewer vans were in operation during FY2011.
 - Operating expenses were 7.5% below budget due to savings in vehicle maintenance and equipment repair parts.

CAPITAL ASSET AND DEBT ADMINISTRATION

As of June 30, 2011 DART has invested approximately \$29.6 million in capital assets, net of depreciation. This amount is an increase of \$0.1 million from June 30, 2010.

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

	2011	2010	2009
LAND	\$ 1,430,823	\$ 185,009	\$ 185,009
CONSTRUCTION IN PROGRESS	1,562,204	1,897,305	341,173
BUILDINGS & IMPROVEMENTS	6,536,641	4,187,337	4,464,596
REVENUE VEHICLES & EQUIPMENT	18,054,797	21,421,577	17,686,448
EQUIPMENT	<u>2,019,651</u>	<u>1,838,653</u>	<u>2,019,840</u>
TOTALS	<u>\$29,604,116</u>	<u>\$29,529,881</u>	<u>\$24,697,066</u>

- o Additions to Capital Assets totaled \$5,034,729. Major purchases were approximately:

Rideshare vans (22)	\$ 583,000
Buildings and land, including transfers from construction in progress	\$4,092,000
Paratransit buses (6)	\$ 364,000
Communications equipment, including transfers from construction in progress	\$ 166,000
Fixed route buses (2 rebuilt engines)	\$ 43,000
Other equipment	\$ 121,000
Construction in progress, net of transfers	\$ (335,000)
- o Disposals totaling \$1,741,424 were made from land, revenue vehicles equipment, and equipment. Disposal related primarily to the disposition of fully depreciated capital assets that are no longer owned by DART.
- 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.

Debt Administration (continued)

Current Liabilities include;

- DART has \$1,162,000 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 \$246,031 at June 30, 2011. GASB 45 required an actuary study to determine the reserve for a three 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. The final reserve is based on the actuary study.

OTHER CURRENTLY KNOWN FACTS, DECISIONS or CONDITIONS

The DART Commission approved a budget for FY2012 which anticipates a \$1.35 million reduction in reserves.

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

DART Central Station is currently under construction and is expected to open to the public in the fall of 2012.

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 Area Regional Transit Authority at (515) 283-8119 or write in 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**

	June 30	
ASSETS	2011	2010
CURRENT ASSETS		
Cash and cash equivalents	\$ 4,964,154	\$ 4,891,292
Accounts receivable		
Trade (less allowance for doubtful accounts 2011 \$31,127, 2010 \$31,127)	666,187	1,014,831
Grant funds	2,536,468	2,875,787
Other	1,180	4,028
Property taxes receivable		
Succeeding year	7,016,431	6,593,641
Delinquent	78,022	70,093
Inventories	739,062	868,265
Prepaid expenses	392,675	266,439
Total current assets	<u>16,394,179</u>	<u>16,584,376</u>
CAPITAL ASSETS	63,747,864	60,454,559
Less accumulated depreciation and amortization	<u>34,143,748</u>	<u>30,924,678</u>
Total capital assets	<u>29,604,116</u>	<u>29,529,881</u>
BOND ISSUANCE COSTS , net of amortization of \$9,656 in 2011 and \$-0- in 2010	<u>86,900</u>	<u>87,553</u>
Total assets	<u>\$46,085,195</u>	<u>\$46,201,810</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current obligations of capital leases	\$ 290,706	\$ 279,797
Current portion of general obligation bonds payable	320,000	320,000
Accounts payable	842,516	1,248,523
Construction contracts payable	-	27,303
Accrued and withheld payroll, payroll taxes and benefits	1,166,964	1,123,747
Succeeding year property taxes	7,016,431	6,593,641
Deferred revenue	84,195	81,061
Accrued interest payable	7,037	7,037
Accrued self insurance claims	1,162,000	2,162,000
Total current liabilities	<u>10,889,849</u>	<u>11,843,109</u>
LONG-TERM LIABILITIES		
Capital leases, less current obligations	495,624	786,330
Post retirement benefits payable	246,031	145,727
General obligation bonds payable, less current portion	<u>2,835,966</u>	<u>3,153,295</u>
Total long-term liabilities	<u>3,577,621</u>	<u>4,085,352</u>
Total liabilities	<u>14,467,470</u>	<u>15,928,461</u>
NET ASSETS		
Invested in capital assets, net of related debt	28,817,786	28,463,754
Unrestricted	<u>2,799,939</u>	<u>1,809,595</u>
Total net assets	<u>31,617,725</u>	<u>30,273,349</u>
Total liabilities and net assets	<u>\$46,085,195</u>	<u>\$46,201,810</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, 2011</u>			<u>Total</u>	<u>Year ended</u>
	<u>Fixed route</u>	<u>Paratransit</u>	<u>Rideshare</u>	<u>2011</u>	<u>June 30,</u>
					<u>2010</u>
OPERATING REVENUES	\$ 4,904,847	\$2,334,609	\$ 903,802	\$ 8,143,258	\$ 8,993,658
OPERATING EXPENSES (EXCEPT DEPRECIATION AND AMORTIZATION)	<u>15,272,211</u>	<u>4,042,044</u>	<u>805,476</u>	<u>20,119,731</u>	<u>20,388,593</u>
Operating income (loss) before depreciation and amortization	(10,367,364)	(1,707,435)	98,326	(11,976,473)	(11,394,935)
DEPRECIATION AND AMORTIZATION	<u>4,016,028</u>	<u>467,895</u>	<u>390,704</u>	<u>4,874,627</u>	<u>5,193,612</u>
Operating loss including depreciation and amortization	(14,383,392)	(2,175,330)	(292,378)	(16,851,100)	(16,588,547)
OTHER INCOME (EXPENSE)					
Government operating assistance					
Member municipalities	830,004	364,000	-	1,194,004	1,029,992
Property tax	6,593,640	-	-	6,593,640	6,240,731
FTA operating assistance	4,804,385	212,783	-	5,017,168	5,396,997
IDOT operating assistance	1,122,310	-	-	1,122,310	882,754
IDOT special projects	196,693	-	-	196,693	196,259
FTA grant income	493,323	154,272	-	647,595	546,871
Gain (loss) on disposition of capital assets	(4,642)	(48,181)	86,720	33,897	46,984
Interest income	4,272	-	-	4,272	1,652
Advertising income	201,433	7,020	-	208,453	158,978
Miscellaneous income	82,589	-	2,861	85,450	25,217
Contribution of land via transfer of ownership	434,336	-	-	434,336	-
Interest expense	(111,789)	-	-	(111,789)	(151,427)
Total other income	<u>14,646,554</u>	<u>689,894</u>	<u>89,581</u>	<u>15,426,029</u>	<u>14,375,008</u>
Net income (loss) before capital revenues	<u>\$ 263,162</u>	<u>\$(1,485,436)</u>	<u>\$ (202,797)</u>	(1,425,071)	(2,213,539)
Capital revenue from federal and state grants				<u>2,769,447</u>	<u>7,292,648</u>
Increase in net assets				1,344,376	5,079,109
NET ASSETS, beginning				<u>30,273,349</u>	<u>25,194,240</u>
NET ASSETS, ending				<u>\$31,617,725</u>	<u>\$30,273,349</u>

See Notes to Financial Statements.

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

	Year ended June 30	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from operations	\$ 8,497,884	\$ 8,742,649
Cash paid to suppliers for goods and services	(10,171,273)	(10,977,312)
Cash paid to employees for services	(10,778,655)	(10,711,404)
Net cash (used in) operating activities	<u>(12,452,044)</u>	<u>(12,946,067)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Municipal support	1,544,000	679,992
Property taxes received	6,585,712	6,261,994
Other government assistance	5,048,560	5,497,094
Proceeds from issuance of general obligation bonds	-	3,385,742
Principal payments on general obligation bonds	(320,000)	-
Cash received from other sources	<u>71,147</u>	<u>184,195</u>
Net cash provided by noncapital financing activities	<u>12,929,419</u>	<u>16,009,017</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	<u>4,272</u>	<u>1,652</u>
Net cash provided by investing activities	<u>4,272</u>	<u>1,652</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Federal, state and municipal funds received for capital expenditures	4,907,728	9,506,418
Proceeds on disposition of capital assets	129,420	94,991
Interest paid	(109,118)	(149,911)
Purchase of capital assets	(5,057,018)	(9,617,809)
Principal payments on capital lease	<u>(279,797)</u>	<u>(269,261)</u>
Net cash (used in) capital and related financing activities	<u>(408,785)</u>	<u>(435,572)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	72,862	2,629,030
CASH AND CASH EQUIVALENTS		
Beginning	<u>4,891,292</u>	<u>2,262,262</u>
Ending	<u>\$ 4,964,154</u>	<u>\$ 4,891,292</u>

See Notes to Financial Statements.

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

	Year ended June 30	
	2011	2010
RECONCILIATION OF OPERATING (LOSS) TO NET CASH (USED IN) OPERATING ACTIVITIES		
Loss from operations	\$(16,851,100)	\$(16,588,547)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities		
Depreciation and amortization	4,874,627	5,193,612
(Increase) decrease in accounts receivable, net of noncapital financing activities	351,492	(234,200)
Decrease in inventories	129,203	1,263,134
(Increase) in prepaid expenses	(126,236)	(146,774)
Increase (decrease) in accounts payable, net of amounts for capital assets	23,315	(936,730)
Increase in accrued and withheld payroll, payroll taxes and benefits	43,217	224,587
Increase (decrease) in deferred revenue	3,134	(16,809)
(Decrease) in accrued self insurance claims	(1,000,000)	(1,718,004)
Increase in post retirement benefits payable	<u>100,304</u>	<u>13,664</u>
Net cash (used in) operating activities	<u><u>\$(12,452,044)</u></u>	<u><u>\$(12,946,067)</u></u>

SUPPLEMENTAL SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES

During the year ended June 30, 2011, the Authority acquired land in the amount of \$434,336 by filing an affidavit for ownership. The value of the land was determined based on an independent appraisal.

**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 has elected to apply all applicable 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 Boards of Supervisors. Current year delinquent property taxes receivable represents taxes collected by the County but not remitted to the Authority at June 30, 2011 and unpaid taxes. The succeeding year property tax receivable represents taxes certified by the Boards 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 Boards 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. 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, 2011 and 2010, respectively.

Succeeding Year Property Taxes and 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, 2011, 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 years ended June 30, 2011 and 2010 were \$208,659 and \$258,247, respectively.

NOTE 2 CASH AND INVESTMENTS

The Authority's deposits in banks at June 30, 2011 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, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>June 30, 2011</u>
Capital assets not being depreciated					
Land	\$ 185,009	\$1,124,065	\$ 29,100	\$ 150,849	\$ 1,430,823
Construction in progress	<u>1,897,305</u>	<u>2,168,433</u>	<u>—</u>	<u>(2,503,534)</u>	<u>1,562,204</u>
Total capital assets not being depreciated	<u>2,082,314</u>	<u>3,292,498</u>	<u>29,100</u>	<u>(2,352,685)</u>	<u>2,993,027</u>
Capital assets being depreciated/amortized					
Buildings	9,754,851	588,653	—	2,228,619	12,572,123
Revenue equipment	35,012,359	43,028	157,857	—	34,897,530
On Call revenue equipment	710,502	—	—	—	710,502
Fare collection equipment	1,214,757	—	—	—	1,214,757
Service cars and trucks	496,393	—	46,006	—	450,387
Shop and garage equipment	441,628	35,979	—	—	477,607
Furniture and office equipment	76,781	—	5,927	—	70,854
Computer equipment	2,809,814	43,904	157,413	—	2,696,305
Miscellaneous equipment	449,254	41,272	15,400	—	475,126
Communication equipment	952,456	41,831	163,085	124,066	955,268
Paratransit vehicles	3,964,850	364,312	759,479	—	3,569,683
Rideshare vehicles	<u>2,488,600</u>	<u>583,252</u>	<u>407,157</u>	<u>—</u>	<u>2,664,695</u>
Total capital assets being depreciated/amortized	58,372,245	1,742,231	1,712,324	2,352,685	60,754,837
Less accumulated depreciation and amortization	<u>30,924,678</u>	<u>4,864,971</u>	<u>1,645,901</u>	<u>—</u>	<u>34,143,748</u>
Total capital assets being depreciated/amortized, net	<u>27,447,567</u>	<u>(3,122,740)</u>	<u>66,423</u>	<u>2,352,685</u>	<u>26,611,089</u>
Net capital assets	<u>\$29,529,881</u>	<u>\$ 169,758</u>	<u>\$ 95,523</u>	<u>\$ —</u>	<u>\$29,604,116</u>

	<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>

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

NOTE 3 CAPITAL ASSETS (continued)

At June 30, 2011 and 2010, revenue equipment includes transportation vehicles under capital lease with historical cost of \$4,440,004 and accumulated amortization of \$3,118,406 and \$2,749,954, respectively. Amortization expense for these assets totaled \$368,452 for the years ended June 30, 2011 and 2010.

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, 2011, construction in progress includes two projects: automatic vehicle specifications and procurement in the amount of \$162,432; and architectural and engineering costs related to the transit hub project in the amount of \$1,399,772.

NOTE 4 CAPITAL LEASES

Capital leases consisted of the following as of June 30, 2011:

An agreement to acquire 16 buses under a capital lease. The related liability under the lease at June 30, 2011 is \$463,957. The obligation is due in semiannual installments of \$72,549 through November, 2014. The interest rate at June 30, 2011 was 4.55%.

An agreement to finance the acquisition of software under a capital lease. The related liability under the lease at June 30, 2011 is \$322,273. The obligation is due in monthly installments of \$14,485 through May, 2013. The interest rate at June 30, 2011 was 3.31%.

At June 30, 2011, future minimum lease payments are as follows:

2012	\$ 318,913
2013	304,428
2014	145,099
2015	<u>72,548</u>
Total	840,988
Less amount representing interest	<u>54,658</u>
	786,330
Less current obligations under capital lease	<u>290,706</u>
Capital lease obligations, net of current obligations	<u>\$ 495,624</u>

A summary of changes in capital leases are as follows:

	<u>July 1, 2010</u>	<u>Additions</u>	<u>Payments</u>	<u>June 30, 2011</u>	<u>Due within one year</u>
Capital lease	<u>\$1,066,127</u>	<u>\$ —</u>	<u>\$ 279,797</u>	<u>\$ 786,330</u>	<u>\$ 290,706</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>\$1,335,388</u>	<u>\$ —</u>	<u>\$ 269,261</u>	<u>\$1,066,127</u>	<u>\$ 279,797</u>

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

NOTE 4 CAPITAL LEASES (continued)

Total interest costs were \$111,789 and \$151,427 for the years ended June 30, 2011 and 2010, respectively. Of the total interest cost for the year ended June 30, 2011, \$39,116 was incurred on capital leases, and \$72,673 (which includes \$2,671 of bond issuance discount amortization) was incurred on the general obligation bonds payable. 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.

NOTE 5 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, 2011:

	Balance June 30, 2010	Increases	Decreases	Balance June 30, 2011	Due within one year
General obligation bonds	\$3,473,295	\$ —	\$ (317,329)	\$3,155,966 (1)	\$ 320,000

(1) Bonds were sold at a discount; unamortized discount at June 30, 2011 and 2010 totaled \$24,034 and \$26,705, respectively.

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

Year ending June 30	Principal	Interest	Total
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	350,000	51,750	401,750
2017-2021	1,515,000	115,320	1,630,320
	\$3,180,000	\$ 428,436	\$3,608,436

NOTE 6 ACCOUNTS RECEIVABLE—GRANT FUNDS

Accounts receivable—grant funds 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.

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

NOTE 7 PENSION AND RETIREMENT BENEFITS (continued)

Plan members are required to contribute 4.50% of their annual salary and the Authority is required to contribute 6.95% of annual covered payroll. Contribution requirements are established by State statute. The Authority's contribution to IPERS for the years ended June 30, 2011, 2010 and 2009, were \$672,999, \$650,966 and \$594,630, respectively, equal to the required contributions for each year.

NOTE 8 DEFINED CONTRIBUTION PLAN

The Authority has a defined contribution plan covering all eligible employees who agree to make contributions to the Plan. The Authority made a contribution to the Plan for the year ended June 30, 2011 and 2010 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, 2011 and 2010 was \$25,565 and \$23,914, respectively.

NOTE 9 POST EMPLOYMENT BENEFITS

Plan Description

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 8 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.

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 2011, the Authority contributed \$24,069.

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

NOTE 9 POST EMPLOYMENT BENEFITS (continued)

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	6,558
Adjustment to annual required contribution	<u>(8,561)</u>
Annual OPEB cost (expense)	124,373
Contributions and payments made	<u>24,069</u>
Increase in net OPEB obligation	100,304
Net OPEB obligation, July 1, 2010	<u>145,727</u>
Net OPEB obligation, June 30, 2011	<u>\$ 246,031</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 2011 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, 2011	\$ <u>124,373</u>	<u>19.4%</u>	\$ <u>246,031</u>
June 30, 2010	\$ <u>121,336</u>	<u>27.0%</u>	\$ <u>145,727</u>
June 30, 2009	\$ <u>132,063</u>	<u>0.0%</u>	\$ <u>132,063</u>

Funded Status and Funding Progress

The results of the January 1, 2009 valuation were rolled forward to June 30, 2011. The actuarial accrued liability for benefits was \$907,246 and the actuarial value of assets is zero resulting in an unfunded actuarial accrued liability (UAAL) of \$(907,246) as of June 30, 2011. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$10,922,000, and the ratio of the UAAL to the covered payroll was 8.3%. As of June 30, 2011, there were no trust fund assets.

Actuarial valuations 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, morality, and the healthcare cost trend. Actuarially determined amounts 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.

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

NOTE 9 POST EMPLOYMENT BENEFITS (continued)

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, the 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. There were no benefit increases considered.

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.

There are no audited financial statements for this plan.

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 \$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, 2011 and 2010, the Authority had established reserves of \$1,162,000 and \$2,162,000, 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.

The following is a summary of claims paid and liabilities recorded for the years ended June 30, 2011 and 2010:

	2011	2010
Accrued claims at beginning of year	\$2,162,000	\$3,880,004
Claims paid	(1,436,258)	(2,426,248)
Amount reserved	436,258	708,244
Accrued claims at end of year	<u>\$1,162,000</u>	<u>\$2,162,000</u>

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

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 statement which might impact the Authority is as follows:

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*, will be effective for the Authority with its year ending June 30, 2013. This statement modifies certain requirements for inclusion of component units in the financial reporting entity, and amends the criteria for reporting component units as if they were part of the primary government in certain circumstances. This Statement also clarifies the reporting of equity interests in legally separate organizations.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 20, 1989 FASB and AICPA Pronouncements*, will be effective for the Authority beginning with its year ending June 30, 2013. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance included in FASB and AICPA pronouncements issued on or before November 30, 1989 which does not conflict with or contradict GASB pronouncements.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, will be effective for the Authority beginning with its year ending June 30, 2013. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources.

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 has entered into contract commitments for the completion of the architectural, engineering, and construction phases of the transit hub project. The total contract commitment is \$17,192,173, of which \$1,269,601 has been incurred as of June 30, 2011. The unpaid commitment balance is \$15,922,572, which will be funded by current reserves and federal and state grant funds. Costs incurred on these projects as of June 30, 2011, are included in construction in progress as a component of capital assets.

NOTE 13 SUBSEQUENT EVENTS

In September 2011, the Authority paid a pedestrian incident claim relating to a prior fiscal year in the amount of \$350,000. The financial statements reflected this amount as part of the accrued self insurance claims balance on the balance sheet date of June 30, 2011. Therefore, no adjustment was required to the financial statements as a result of this claim payment.

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, 2011

	<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>	
REVENUES	\$26,450,523	\$ -	\$26,450,523	\$23,327,138	\$23,327,138	\$3,123,385
EXPENSES	<u>25,106,147</u>	<u>4,231,619</u>	<u>20,874,528</u>	<u>21,721,376</u>	<u>21,721,376</u>	<u>(846,848)</u>
Excess of revenues over expenses	1,344,376	4,231,619	5,575,995	1,605,762	1,605,762	<u>\$3,970,233</u>
BALANCES , beginning of year	<u>30,273,349</u>	<u>30,273,349</u>	<u>30,273,349</u>	<u>30,273,349</u>	<u>30,273,349</u>	
BALANCES , end of year	<u>\$31,617,725</u>	<u>\$34,504,968</u>	<u>\$35,849,344</u>	<u>\$31,879,111</u>	<u>\$31,879,111</u>	

See Accompanying Independent Auditor's Report.

Des Moines Area Regional Transit Authority
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
Year ended June 30, 2011

The budgetary comparison is presented as Required Supplementary Information in accordance with Government Accounting Standards Board No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison.

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, 2011, 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>
June 30, 2011	January 1, 2009	\$ <u>—</u>	<u>\$907</u>	<u>\$907</u>	<u>0.0%</u>	<u>\$10,922</u>	<u>8.3%</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 (DEFICIT)**

	<u>Year ended June 30</u>	
	<u>2011</u>	<u>2010</u>
COMMISSION DESIGNATED NET ASSETS (DEFICIT)		
For fixed asset purchases		
Fixed route	\$ (45,897)	\$ (201,378)
Paratransit	706,966	634,078
Rideshare	<u>849,172</u>	<u>786,102</u>
Total for fixed asset purchases	1,510,241	1,218,802
Other		
Contributed capital	<u>490,619</u>	<u>490,619</u>
Total commission designated net assets	<u>2,000,860</u>	<u>1,709,421</u>
UNDESIGNATED NET ASSETS (DEFICIT)		
Fixed route	4,257,779	1,331,647
Paratransit	(2,618,531)	(805,085)
Rideshare	<u>(840,169)</u>	<u>(426,388)</u>
Total undesignated net assets (deficit)	<u>799,079</u>	<u>100,174</u>
 Total unrestricted net assets	 <u>\$2,799,939</u>	 <u>\$1,809,595</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>2011</u>	<u>2010</u>
OPERATING REVENUES		
Passenger revenue	\$ 2,261,233	\$ 2,404,025
Contracted service	<u>2,643,614</u>	<u>3,284,806</u>
Total operating revenues	<u>4,904,847</u>	<u>5,688,831</u>
OPERATING EXPENSES		
Transportation	6,926,475	7,650,126
Maintenance	4,320,126	4,565,080
Insurance	795,311	1,010,446
General and administration	613,606	658,969
Accounting	566,863	257,606
Planning	882,983	367,806
Personnel	219,534	204,315
Marketing	316,586	266,930
Advertising	202,409	242,313
Building and grounds	<u>428,318</u>	<u>417,947</u>
Operating expenses except depreciation	<u>15,272,211</u>	<u>15,641,538</u>
Operating loss before depreciation	(10,367,364)	(9,952,707)
DEPRECIATION AND AMORTIZATION	<u>4,016,028</u>	<u>4,370,453</u>
Operating loss including depreciation and amortization	(14,383,392)	(14,323,160)
OTHER INCOME (EXPENSE)		
Government operating assistance		
Member municipalities	830,004	679,992
Property tax	6,593,640	6,240,731
FTA operating assistance	4,804,385	5,230,497
IDOT operating assistance	1,122,310	882,754
IDOT special projects	196,693	196,259
FTA grant income	493,323	306,733
Gain (loss) on disposition of fixed assets	(4,642)	60,459
Interest income	4,272	1,652
Advertising income	201,433	158,978
Miscellaneous income	82,589	14,322
Contribution of land via transfer of ownership	434,336	—
Interest expense	<u>(111,789)</u>	<u>(151,427)</u>
Total operating assistance and other income	<u>14,646,554</u>	<u>13,620,950</u>
Net income (loss) after other income	<u>\$ 263,162</u>	<u>\$ (702,210)</u>

See Accompanying Independent Auditor's Report.

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

	Year ended June 30	
	2011	2010
OPERATING REVENUES		
Service income		
Polk County	\$ 908,576	\$ 816,043
Fare paying clients	83,706	85,024
Service income, other	<u>1,342,327</u>	<u>1,417,909</u>
Total operating revenues	<u>2,334,609</u>	<u>2,318,976</u>
OPERATING EXPENSES		
Administrative wages	338,038	293,811
Mechanics wages	259,537	210,995
Drivers wages	1,164,843	1,128,531
Employee benefits	294,047	169,561
Payroll taxes	268,886	252,675
Insurance	200,004	249,996
Fuel and lubricants	455,826	338,361
Maintenance and repairs	856,963	872,027
Contracted services, cabs	196,671	310,566
Other	<u>7,229</u>	<u>17,096</u>
Total operating expenses	<u>4,042,044</u>	<u>3,843,619</u>
Operating loss before depreciation	(1,707,435)	(1,524,643)
DEPRECIATION	<u>467,895</u>	<u>392,555</u>
Operating loss including depreciation	(2,175,330)	(1,917,198)
OTHER INCOME (EXPENSE)		
Government operating assistance		
ADA subsidy	364,000	350,000
FTA operating assistance	212,783	166,500
FTA grant income	154,272	240,138
Loss on disposition of fixed assets	(48,181)	(42,236)
Advertising income	<u>7,020</u>	<u>7,605</u>
Total other income	<u>689,894</u>	<u>722,007</u>
Net loss after other income	<u>\$ (1,485,436)</u>	<u>\$ (1,195,191)</u>

See Accompanying Independent Auditor's Report.

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

	Year ended June 30	
	2011	2010
OPERATING REVENUES	\$ 903,802	\$ 985,851
OPERATING EXPENSES		
Wages and benefits	127,668	121,188
Service contracts	7,864	7,642
Office supplies	—	8,036
Van miscellaneous	6,175	17,817
Administrative miscellaneous	115	4,559
Promotional events	6,250	15,934
Insurance	38,817	48,952
Maintenance and repairs	222,312	327,876
Gas and oil	391,290	346,999
Drug screening	4,985	4,433
Total operating expenses	<u>805,476</u>	<u>903,436</u>
Operating income before depreciation	98,326	82,415
DEPRECIATION	<u>390,704</u>	<u>430,604</u>
Operating loss including depreciation	<u>(292,378)</u>	<u>(348,189)</u>
Gain on disposition of fixed assets	86,720	28,761
Miscellaneous income	<u>2,861</u>	<u>3,290</u>
Total other income	<u>89,581</u>	<u>32,051</u>
Net loss after other income	<u>\$ (202,797)</u>	<u>\$ (316,138)</u>

See Accompanying Independent Auditor's Report.

Des Moines Area Regional Transit Authority
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2011

<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	\$ 462,764
Federal Transit Formula Grants	20.507	6,132,924
Federal Transit Formula Grants - ARRA	20.507	<u>1,109,254</u>
Total Federal Transit Cluster		<u>7,704,942</u>
Highway Planning and Construction Cluster		
Surface Transportation Infrastructure - Discretionary Grants for Capital Investments II	20.933	672
Alternative Analysis	20.522	40,029
Transit Services Programs Cluster		
Federal Transit Job Access - Reverse Commute	20.516	163,293
New Freedom Program	20.521	<u>113,186</u>
Total Transit Services Programs Cluster		<u>276,479</u>
Total direct		<u>8,022,122</u>
Indirect		
Iowa Department of Transportation		
Department of Transportation/Federal Transit Administration		
Federal Transit Cluster		
Federal Transit Formula Grants	20.507	621,759
Formula Grants for other than Urbanized Areas	20.509	46,283
Transit Services Programs Cluster		
Federal Transit Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	207,194
Highway Planning and Construction Cluster		
Highway Planning and Construction	20.205	101,040
City of Des Moines, Iowa - Department of Housing Services		
Department of Housing and Urban Development		
Community Development Block Grant - Entitlement Grants Cluster		
Community Development Block Grants/Entitlement Grants	14.218	10,000
Iowa Department of Natural Resources		
Environmental Protection Agency		
State Clean Diesel Grant Program - ARRA	66.040	<u>28,097</u>
Total indirect		<u>1,014,373</u>
Total federal expenditures		<u>\$9,036,495</u>

See Accompanying Independent Auditor's Report.

Des Moines Area Regional Transit Authority
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
Year ended June 30, 2011

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.

**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, 2011, and have issued our report thereon dated March 5, 2012. 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 was not designed to identify all deficiencies in 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*.

Comments involving statutory and other legal matters about the Authority's operations for the year ended June 30, 2011 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
March 5, 2012

**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 Des Moines Area Regional Transit Authority's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on the Authority's major federal programs for the year ended June 30, 2011. 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

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 was not designed to identify all deficiencies in internal control over compliance 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. 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
March 5, 2012

**Des Moines Regional Transit Authority
SUMMARY SCHEDULES OF PRIOR AUDIT FINDINGS
Year ended June 30, 2011**

Summary

Findings related to the financial statements:

Status

10-II-A Certain accounts were not adjusted to their appropriate balance prior to the start of the audit.

Not corrected, see finding 11-II-A

Des Moines Area Regional Transit Authority
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2011

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.
- (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 20.513, 20.516, 20.521 - Transit Services Programs 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 qualifies as a low-risk auditee.

Des Moines Area Regional Transit Authority
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
Year ended June 30, 2011

Part II. Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCY

11-II-A Finding: During the audit, we identified certain capital asset and grant-related general ledger accounts that were not being reconciled to underlying supporting detail on a regular basis.

Condition: Although reconciliation of detailed capital asset records to detailed grant records (such as capital asset additions reconciled to grant expenditures) was being performed on a regular basis, Authority personnel responsible for reconciliation of the noted accounts were not aware that the final step of the reconciliation process was tying out related amounts to the general ledger.

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 implement procedures to ensure reconciliation of all capital asset and grant-related detailed records to their respective general ledger accounts on a monthly basis. 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 implemented to verify reconciliation of these accounts as well as monitoring and review of the reconciliation process.

INSTANCES OF NONCOMPLIANCE

None

Part III. Findings and Questioned Costs for Federal Awards

INTERNAL CONTROL DEFICIENCIES

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

INSTANCES OF NONCOMPLIANCE

No matters were noted.

Des Moines Area Regional Transit Authority
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
Year ended June 30, 2011

Part IV. Other Findings Related to Required Statutory Reporting

- IV-A-11** **Certified Budget** - Disbursements during the year ended June 30, 2011 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-11** **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-11** **Travel Expense** - No disbursements of Authority money for travel expenses of spouses of Authority officials or employees were noted.
- IV-D-11** **Business Transactions** - No business transactions between the Authority and Authority officials or employees were noted.
- IV-E-11** **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-11** **Commission Minutes** - No transactions were found that we believe should have been approved in the Commission minutes but were not.
- IV-G-11** **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-11** **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, 2011**

<u>Current Number</u>	<u>Comment</u>	<u>Corrective Action Plan</u>	<u>Anticipated Date of Completion</u>	<u>Contact Person</u>
11-II-A	Certain accounts were not reconciled to the general ledger and adjusted to actual at year end by the Authority.	See response and corrective action plan at 11-II-A	June 30, 2012	Jamie Schug