

**DES MOINES AREA REGIONAL
TRANSIT AUTHORITY**

Des Moines, Iowa

FINANCIAL STATEMENTS

Including Independent Auditor's Report
and Report on Federal Awards

As of and for the Years Ended June 30, 2014 and 2013

DES MOINES AREA REGIONAL TRANSIT AUTHORITY

Des Moines, Iowa

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DES MOINES AREA REGIONAL TRANSIT AUTHORITY

Des Moines, Iowa

OFFICIALS

Name and Title	Representing
COMMISSION	
Steve Van Oort, Chair	Region 7 - Ankeny, Des Moines, Polk City, Sheldahl
Steve Peterson, Vice Chair	Region 2 - West Des Moines, Windsor Heights, Clive
Skip Conkling, Member	Region 1 - Altoona, Bondurant, Carlisle, Des Moines, Elkhart, Mitchellville, Runnells
Christine Hensley, Member	Region 3 - Des Moines
Tom Gayman, Member	Region 4 - Granger, Grimes, Johnston, Urbandale
Bob Mahaffey, Secretary/Treasurer	Region 5 - Des Moines, Pleasant Hill
Joann Muldoon, Member	Region 6 - Des Moines
Angela Connolly, Member	At-Large
Gaye Johnson, Member	At-Large
AUTHORITY	
Elizabeth Presutti, General Manager	

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Des Moines Area Regional Transit Authority, as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Des Moines Area Regional Transit Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control over financial reporting relevant to the Des Moines Area Regional Transit Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Des Moines Area Regional Transit Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2014 and 2013, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

To the Commission
Des Moines Area Regional Transit Authority

Emphasis of Matters

As discussed in the Note 1, Des Moines Area Regional Transit Authority adopted the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective July 1, 2013. Our opinion is not modified with respect to this matter.

The statement of revenues, expenses and changes in net position for the year ended June 30, 2013 is taken from the basic financial statements for that period which we previously audited. The individual segment information is not included on this statement, however, it is included in the supplementary information within this report. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Schedule of Revenues, Expenses and Changes in Net Position - Budget to Actual and Schedule of Funding Progress information as listed in the table of contents 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. Management has elected to include more information in the Management's Discussion and Analysis than is required by the standards. 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.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements as a whole. The Schedules of Revenues, Expenses and Changes in Net Position - Fixed Route, Paratransit and Rideshare Divisions as listed in the table of contents are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedules of Revenues, Expenses and Changes in Net Position - Fixed Route, Paratransit and Rideshare Divisions are fairly stated in all material respects in relation to the basic financial statements as a whole.

To the Commission
Des Moines Area Regional Transit Authority

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have issued our report dated December 18, 2014 on our consideration of the Des Moines Area Regional Transit Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of 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* in considering the Des Moines Area Regional Transit Authority's internal control over financial reporting and compliance.

Baker Tilly Vichow Krause, LLP
Madison, Wisconsin
December 18, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

DES MOINES AREA REGIONAL TRANSIT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2013

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, 2014. Please read it in conjunction with the Independent Auditor's Report on pages 2-4 and DART's financial statements, which begin on page 11.

FINANCIAL HIGHLIGHTS

- > Total assets decreased \$3,538,989 for the twelve month period ending June 30, 2014.
 - > Capital assets net of accumulated depreciation decreased by a total of \$5,069,640 from the prior year. This was primarily a result of greater accumulated depreciation than capital asset additions. DART retired multiple Fixed Route, Paratransit, and Rideshare vehicles as well. Major purchases are outlined on page 20, in Note 3 Capital Assets, which include revenue vehicles for Fixed Route, Paratransit, and Rideshare as well as facility construction projects and AVL communication equipment.
 - > Total capital assets include Construction in Progress of \$1,170,423 which is comprised of multiple projects including facility construction, Rideshare Revenue Vehicles, Farebox, and Service Management Vehicles.
 - > Current assets increased.
 - » Cash and cash equivalents increased \$ 1,835,008
 - » Trade accounts receivable increased 175,524
 - » Federal grant receivables decreased (2,349,277)
 - » Property tax receivables increased 1,575,341
 - » Inventories decreased (25,949)
 - » Prepaid expenses increased 316,675
- > Total liabilities decreased \$1,453,908 for the twelve month period ending June 30, 2014.
 - Current liabilities decreased \$1,031,843 with the primary driver being a reduction in Construction contract retainages payable.
 - Total Current liabilities include:
 - » Accrued payroll and benefits decreased \$ (48,728)
 - » Accounts payable decreased (97,871)
 - » Accrued self-insurance claims increased 10,000
 - » Construction contracts payable decreased (819,673)
 - Long-term liabilities decreased \$422,065 due to continued payments on capital leases and general obligation bonds payable.
- > Total net position decreased by \$3,571,257 due to the increase of operating expenses as well as an increase in asset depreciation and amortization over the prior year.

See independent auditors' report.

DES MOINES AREA REGIONAL TRANSIT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2013

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 position is presented below:

**Table 1
Des Moines Area Regional Transit Authority
Net Position
June 30**

	2014	2013	2012
Current and other assets	\$ 25,130,100	\$ 23,599,449	\$ 21,705,444
Capital assets; net of depreciation	49,032,618	54,102,258	43,958,156
Total Assets	74,162,718	77,701,707	65,663,600
Current Liabilities	3,054,227	4,086,070	\$5,176,189
Long-term Liabilities	2,055,195	2,477,260	2,956,950
Total Liabilities	5,109,422	6,563,330	8,133,139
Succeeding year property taxes	13,511,572	12,025,396	9,984,983
Deferred Inflows of Resources	13,511,572	12,025,396	9,984,983
Net investment in capital assets*	48,961,717	53,826,714	43,462,531
Unrestricted net position	6,580,007	5,286,267	4,082,947
Total Net Position	55,541,724	59,112,981	47,545,478
TOTAL LIABILITIES AND NET POSITION	\$ 4,262,718	\$ 77,701,707	\$ 65,663,600

*The line item "Net Investment 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.

DES MOINES AREA REGIONAL TRANSIT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2013

OVERVIEW OF FINANCIAL STATEMENTS (cont.)

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

	2014	2013	2012
OPERATING REVENUES			
Passenger fares	\$ 3,618,727	\$ 3,531,603	\$ 3,961,955
Other fares	3,613,244	3,713,621	4,403,057
Advertising income	118,363	147,829	224,178
Total Operating Revenues	7,350,334	7,393,053	8,589,190
NON-OPERATING REVENUES	19,215,913	17,511,131	14,771,968
Total Revenues	26,566,247	24,904,184	23,361,158
Operating expenses	24,801,959	22,594,908	19,664,441
Depreciation	6,387,020	5,174,627	4,892,120
Total Expenses	31,188,979	27,769,535	24,556,561
Funds received for capital purchases	1,051,475	14,432,854	17,123,156
CHANGE IN NET POSITION	\$ (3,571,257)	\$ 11,567,503	\$ 15,927,753

YEAR-TO-YEAR COMPARISON

In FY2014, ridership for Fixed Route increased 6.68%, Rideshare customers decreased 6.24% and Paratransit ridership decreased by .47%. Passenger fares are up 2.5% from the prior year. Other fares decreased by 2.7% due to a decrease in service income and as well as the number trips provided by the Paratransit Division.

Fixed Route had an overall increase of 2.1% in total operating revenues. The increase was seen in the both passenger revenue and contracted services area. Service expansion and improvement was attributed to the uptick in ridership as well as operating revenue.

Paratransit operating revenue decreased by 5% overall for FY2014. Service income has continued to be the segment driving the decrease, primarily by the reduction in the amount of trips provided to local government partners. Passenger fares rose by 11.4% which offset the reduction.

Rideshare had a 6.24% decrease in ridership and a 3.5% decrease in operating revenues:

- > 92 vans were in operation at year-end compared to 93 vans in the prior year.
- > Average monthly fare per van pool was down 2.5%, \$834 in FY2014 vs \$855 in FY2013

DES MOINES AREA REGIONAL TRANSIT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2013

YEAR-TO-YEAR COMPARISON (cont.)

Non-operating revenues increased by 9.7%.

- > Property tax revenue is up 20% from increased property tax levies and valuations.
- > FTA grant income rose 6.1% over FY2014
- > FY2014 had a decrease in miscellaneous income of 60.3% due to an anomaly in FY2013 yielding environmental rebates related to the construction of Dart Central Station

Operating expenses were 9.7% higher than the prior year. Continued service expansion yielded higher direct expenses in transportation and maintenance costs as well as staff hours. Increased insurance expenses as well as a full year of operations in DART Central Station contributed to the increased expenses.

Fixed Route had a 12% increase of \$2,268,122 in operating expense:

- > Total miles operated for Fixed Route increased 14.2% from FY2013.
- > Vehicle maintenance and fuel expense increased by \$632,653. This individual segment increase translates to 28% of the total increase in operating expenses.

Paratransit operating expenses decreased 2.1% from FY2013, \$63,375:

- > Total miles operated decreased 2%. This is in correlation to the decrease in operating revenues by 5%.
- > Operating expense savings for the Paratransit division were seen in the wages, payroll related taxes, division insurance, and fuel. Wages were reduced by 7% and payroll taxes were down by 11%.
- > Paratransit did see an increase in Overhead allocation (27%) and Maintenance and repairs (9%) over FY2014.

Rideshare maintained expenses from the previous year with less than .2% increase over the prior year.

- > Fuel and lubricants decreased by 14.5%, largely due to the fluctuations of fuel prices as well as a decreased ridership.
- > Maintenance and Repairs increased by \$40,322, or 32% over the prior year. This was a result of an increase in accidents as well as the age of the collective fleet.
- > Wages and benefits for the division increased by 15% over FY2014.

BUDGETARY HIGHLIGHTS

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

- > Fixed Route
 - Operating revenue was 3.07% under budget.
 - Cash fares as well as the Unlimited Access program were the two categories with the lower than budget performance.
 - In contrast, other contracted services as well as school funding outperformed the FY2014 forecast.
 - Non-operating revenues were .9% over budget.
 - Operating expenses were 2.52% less than the adopted budget.

See independent auditors' report.

DES MOINES AREA REGIONAL TRANSIT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2013

BUDGETARY HIGHLIGHTS (cont.)

- > Paratransit
 - Operating revenue was 6.5% below budget. The number of trips was less than projected due to agency funding constraints. Performance expectations for the upcoming years continue to be adjusted with the changing dynamic.
 - Operating expenses were 8.87% under budget. Salaries, wages, and fringes, Insurance expense as well as Fuel and lubricants contributed to the division savings.

- > Rideshare
 - Total operating revenue was 10.5% below budget.
 - Operating expenses were 13.81% below budget due to savings in budgeted fuel and vehicle maintenance and equipment repair parts.

CAPITAL ASSET AND DEBT ADMINISTRATION

As of June 30, 2014 DART has invested approximately \$49 million in capital assets, net of depreciation. This amount is a decrease of \$5.0 million from June 30, 2013.

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

	2014	2013	2012
Land	\$ 1,430,823	\$ 1,430,823	\$ 1,430,823
Construction in progress	1,170,423	4,359,832	17,665,473
Building and improvements	24,854,595	25,742,671	6,672,073
Revenue vehicles and equipment	16,004,149	18,952,011	16,117,582
Equipment	5,572,628	3,549,332	2,072,205
TOTALS	\$ 49,032,618	\$ 54,034,669	\$ 43,958,156

- > Capital Assets net of depreciation decreased by \$5,002,051. Major purchases were approximately:
 - Building, net of transfers \$ 319,660
 - Shop, Garage, and other equipment, net of transfers 18,308
 - Computer equipment, net of transfers 284,228
 - Communications equipment, net of transfers 3,292,461
 - Rideshare Vehicles (9) 596,262
 - Construction in Progress, net of transfers (3,189,409)

See independent auditors' report.

DES MOINES AREA REGIONAL TRANSIT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2013

CAPITAL ASSET AND DEBT ADMINISTRATION (cont.)

- > Construction in Progress appears negative due to the large transfer from Construction in Progress to multiple asset categories which were greater than the additions made in FY2014. This transfer of assets is primarily attributed to the completion of our AVL Communications Project as well 19 Rideshare revenue vehicles.
- > Disposals totaling \$1,822,698 were primarily made from revenue equipment, Paratransit vehicles, and Rideshare vehicles. Disposal related primarily to the disposition of fully depreciated capital assets that are no longer owned by DART.
- > DART has a fixed-route fleet of 114 revenue vehicles, On Call has 12 revenue vehicles, Paratransit has a fleet of 25 revenue vehicles and Rideshare has a fleet of revenue 116 vehicles.

Debt Administration

- > DART has a (12) year lease agreement for 16 buses and 21 radios with Bankers Trust. DART has secured federal capital funds to cover the annual cost of the lease at 80%. The remaining 20% is funded through operating revenue.
- > DART issued \$3,500,000 in Limited Tax General Obligation Bonds during FY2011. 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 \$115,000 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 \$206,218 at June 30, 2014. GASB 45 requires an actuarial study to determine the reserve for a three year period. A new study was completed for FY12 which will satisfy requirements to FY15. 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.

DES MOINES AREA REGIONAL TRANSIT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2013

OTHER CURRENTLY KNOWN FACTS, DECISIONS OR CONDITIONS

The DART Commission approved a balanced budget for FY2015 in the amount of \$28,540,139.

FY2014 was the second year of the DART Forward 2035 implementation. The goal of this plan is to incrementally improve bus service to more places, more often, and with faster travel times. The FY2015 adopted budget included funding to implement year three of the five year DART Forward 2035 plan.

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

The Affordable Care Act will be implemented at the start of FY2016. The projected expense will significantly impact the FY2016 budget.

FY2014 was the first full year of operations for DART Central Station which opened 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 Area Regional Transit, 620 Cherry St, Des Moines, IA 50309.

FINANCIAL STATEMENTS

DES MOINES AREA REGIONAL TRANSIT AUTHORITY

STATEMENTS OF NET POSITION
As of June 30, 2014 and 2013

ASSETS		
	<u>2014</u>	<u>2013</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 7,805,578	\$ 5,970,570
Accounts Receivable		
Trade (net)	665,419	489,895
Grant funds	1,643,155	3,992,432
Other	14,998	11,669
Property Taxes Receivable		
Succeeding year	13,511,572	12,025,396
Delinquent	176,124	86,959
Inventory	759,852	785,801
Prepaid expenses	<u>553,402</u>	<u>236,727</u>
Total Current Assets	<u>25,130,100</u>	<u>23,599,449</u>
NONCURRENT ASSETS		
Unamortized debt issuance costs	-	67,589
Capital assets:		
Plant in service	90,778,465	88,021,926
Construction work in progress	1,170,423	4,359,832
Less: Accumulated depreciation and amortization	<u>(42,916,270)</u>	<u>(38,347,089)</u>
Total Noncurrent Assets	<u>49,032,618</u>	<u>54,102,258</u>
Total Assets	<u>74,162,718</u>	<u>77,701,707</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	1,567,131	1,665,002
Construction contract retainages payable	19,244	838,917
Accrued payroll and benefits	872,320	921,048
Unearned revenue	69,631	83,730
Accrued interest payable	-	5,319
Accrued self insurance claims	115,000	105,000
Current obligations of capital leases	70,901	137,054
Current portion of general obligation bonds payable	<u>340,000</u>	<u>330,000</u>
Total Current Liabilities	<u>3,054,227</u>	<u>4,086,070</u>
NONCURRENT LIABILITIES		
Capital leases, less current obligations	-	70,901
Post retirement benefits payable	206,218	220,053
General obligation bonds payable, less current portion	<u>1,848,977</u>	<u>2,186,306</u>
Total Noncurrent Liabilities	<u>2,055,195</u>	<u>2,477,260</u>
Total Liabilities	<u>5,109,422</u>	<u>6,563,330</u>
DEFERRED INFLOWS OF RESOURCES		
Succeeding year property taxes	<u>13,511,572</u>	<u>12,025,396</u>
NET POSITION		
NET POSITION		
Net investment in capital assets	48,961,717	53,826,714
Unrestricted	<u>6,580,007</u>	<u>5,286,267</u>
TOTAL NET POSITION	<u>\$ 55,541,724</u>	<u>\$ 59,112,981</u>

See accompanying notes to the financial statements.

DES MOINES AREA REGIONAL TRANSIT AUTHORITY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Years Ended June 30, 2014 and 2013

	2014				2013
	Fixed Route	Paratransit	Rideshare	Total	Total
OPERATING REVENUES	\$ 4,480,618	\$ 1,949,449	\$ 920,267	\$ 7,350,334	\$ 7,393,053
OPERATING EXPENSES (EXCEPT DEPRECIATION AND AMORTIZATION)	<u>21,171,694</u>	<u>2,828,310</u>	<u>801,955</u>	<u>24,801,959</u>	<u>22,594,908</u>
Operating income (loss) before depreciation and amortization	(16,691,076)	(878,861)	118,312	(17,451,625)	(15,201,855)
DEPRECIATION AND AMORTIZATION	<u>5,608,014</u>	<u>345,086</u>	<u>433,920</u>	<u>6,387,020</u>	<u>5,174,627</u>
Operating loss including depreciation and amortization	<u>(22,299,090)</u>	<u>(1,223,947)</u>	<u>(315,608)</u>	<u>(23,838,645)</u>	<u>(20,376,482)</u>
NONOPERATING REVENUE (EXPENSE)					
Government operating assistance					
Member municipalities	680,000	-	-	680,000	680,000
Property tax	11,765,395	260,000	-	12,025,395	9,984,953
ADA subsidy	-	375,000	-	375,000	374,920
FTA operating assistance	3,890,592	52,868	-	3,943,460	4,351,232
IDOT operating assistance	1,144,288	36,131	-	1,180,419	1,051,250
IDOT special projects	50,919	-	-	50,919	81,924
FTA grant income	805,806	148,535	-	954,341	899,160
Gain on disposition of capital assets	25,138	10,832	70,994	106,964	94,629
Interest income	2,609	-	-	2,609	2,688
Miscellaneous income	31,548	-	2,773	34,321	86,445
Interest expense	<u>(137,515)</u>	-	-	<u>(137,515)</u>	<u>(96,070)</u>
Total Nonoperating Revenue	<u>18,258,780</u>	<u>883,366</u>	<u>73,767</u>	<u>19,215,913</u>	<u>17,511,131</u>
Net Loss Before Capital Contributions	<u>\$ (4,040,310)</u>	<u>\$ (340,581)</u>	<u>\$ (241,841)</u>	(4,622,732)	(2,865,351)
CAPITAL CONTRIBUTIONS				<u>1,051,475</u>	<u>14,432,854</u>
Change in net position				(3,571,257)	11,567,503
NET POSITION, Beginning of Year				<u>59,112,981</u>	<u>47,545,478</u>
NET POSITION, END OF YEAR				<u>\$ 55,541,724</u>	<u>\$ 59,112,981</u>

See accompanying notes to financial statements.

DES MOINES AREA REGIONAL TRANSIT AUTHORITY

STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from direct transit fares	\$ 3,601,299	\$ 3,519,787
Cash received contracted service sales and miscellaneous income	3,590,404	4,245,067
Cash paid to suppliers for goods and services	(14,505,867)	(12,562,594)
Cash paid to employees for services	<u>(11,196,518)</u>	<u>(9,999,819)</u>
Net Cash Flows From Operating Activities	<u>(18,510,682)</u>	<u>(14,797,559)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating subsidies received from:		
Federal Transit Administration	4,007,797	5,226,111
State of Iowa	1,106,560	1,143,182
ADA Subsidy	375,000	374,920
Principal payments on general obligation bonds	(330,000)	(325,000)
Interest paid on general obligation bonds	(64,530)	(68,704)
Property taxes received and municipal assistance	<u>12,616,230</u>	<u>10,631,503</u>
Net Cash Flows From Noncapital Financing Activities	<u>17,711,057</u>	<u>16,982,012</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	<u>2,609</u>	<u>2,688</u>
Net Cash Flows From Investing Activities	<u>2,609</u>	<u>2,688</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Federal, state and municipal funds received for capital expenditures	4,415,534	12,421,171
Proceeds on disposition of capital assets	111,823	100,323
Principal payments on capital lease	(137,054)	(287,670)
Interest paid on capital lease	(8,044)	(16,758)
Acquisition and construction of capital assets	<u>(1,750,235)</u>	<u>(16,204,095)</u>
Net Cash Flows From Capital and Related Financing Activities	<u>2,632,024</u>	<u>(3,987,029)</u>
Net Increase in Cash and Cash Equivalents	1,835,008	(1,799,888)
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>5,970,570</u>	<u>7,770,458</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 7,805,578</u>	<u>\$ 5,970,570</u>

**NONCASH CAPITAL AND FINANCING ACTIVITIES
PREVIOUSLY INCURRED**

Debt issuance costs of \$67,589 were included in interest expense in 2014 with the implementation of GASB Statement No. 65.

	<u>2014</u>	<u>2013</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Loss from operations	\$ (23,838,645)	\$ (20,376,482)
Adjustments to reconcile operating loss to net cash used in operating activities		
Nonoperating income	34,321	86,445
Noncash items included in operating income:		
Depreciation and amortization expense	6,387,020	5,174,627
Changes in assets and liabilities:		
Accounts receivable - trade	(175,524)	297,172
Accounts receivable - other	(3,329)	(11,669)
Inventory	25,949	(550)
Prepaid expenses	(316,675)	43,728
Accounts payable	(557,137)	47,754
Accrued payroll liabilities	(48,728)	116,869
Unearned revenues	(14,099)	(147)
Accrued self insurance claims	10,000	(160,000)
Post retirement benefits payable	(13,835)	(15,306)
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (18,510,682)</u>	<u>\$ (14,797,559)</u>

See accompanying notes to financial statements.

DES MOINES AREA REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2014 and 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Des Moines Area Regional Transit Authority (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.

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United State of America as applied to enterprise funds of governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The significant accounting principles and policies utilized by the Authority are described below.

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. GASB 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 GASB 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. Under the accrual basis of accounting, revenues are recognized 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 follows enterprise fund accounting. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business or where the governing body has decided that the determination of revenues earned, costs incurred, and net income is necessary for management accountability.

DES MOINES AREA REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2014 and 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (cont.)

In March 2012, the GASB issued Statement No. 65 - *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The Authority implemented this standard effective July 1, 2013.

ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

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.

Accounts Receivable

The Authority considers receivables from government units (grant funds) to be fully collectible; accordingly, no such allowance for doubtful accounts from governmental units is presents. Allowance of \$31,127 is included for fiscal year 2014 and 2013 for trade receivables.

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. Taxes are levied on March 1 and are due in two installments on or around September 30 and March 31 of the following fiscal year. All unpaid taxes become delinquent on April 1 of the following year. 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 unearned and will not be recognized as revenue until the year for which it is levied. Current year delinquent property taxes receivable represents taxes collected by the County but not remitted to the Authority at June 30, 2014 and 2013 and unpaid taxes.

Inventories

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

Prepaid Expenses

This represents amounts paid for services or insurance coverage to be provided in future periods.

DES MOINES AREA REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2014 and 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (cont.)

Net Position

Net position is presented in the following components:

Net investment in capital assets 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 net position has no externally imposed restrictions on use.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first then unrestricted resources as they are needed.

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:

	<u>Years</u>
Building	5 – 40
Revenue equipment	4 – 15
Equipment and software	3 – 10

Construction Contract Retainages Payable

The Authority withholds payment for a portion of construction work completed. Upon completion of construction projects, the Authority remits payment for the amount withheld.

Accrued Payroll and Benefits

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 accrued payroll and benefits liability has been computed based on rates of pay in effect at June 30, 2014 and 2013.

Unearned Revenue

Unearned revenue represents payments from rideshare participants received in advance for future service. Revenue is recognized in the period in which service is provided.

DES MOINES AREA REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2014 and 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (cont.)

Long-Term Obligations

Long-term debt and other obligations are reported as Authority liabilities.

Accrued Self Insurance Claims

Claims for uninsured losses are reported in the financial statements based upon the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. In addition, claims adjustment expenses expected to be incurred in connection with the settlement of unpaid claims are accrued at the time the liability for the underlying claim is recognized.

Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net position that applies to a future period and will therefore not be recognized as an inflow of resources (revenue) until that future time. On an accrual basis, revenue from property taxes are recognized in the period they are intended to finance, which is the year after the taxes are levied. A deferred inflow of resources arises when assets are recognized before the period for revenue recognition has occurred.

REVENUES AND EXPENSES

The Authority distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services. The principal operating revenues are fares charged to passengers for service and contracted service agreements. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. Other revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. This includes tax levies, state and federal grants and aids, investment income and interest expense.

Federal and State Grants

Federal and state grants are made available to the Authority for certain operating activities and 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.

The Federal grants are subject to grantor agency compliance audits. Management believes losses, if any, resulting from those compliance audits are not material to these statements.

DES MOINES AREA REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2014 and 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

BUDGETS AND BUDGETARY ACCOUNTING

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, disbursements did not exceed the amount budgeted.

USE OF ESTIMATES

Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT PERIOD FINANCIAL STATEMENTS

GASB has approved GASB Statement No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25*; Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*; Statement No. 69, *Government Combinations and Disposals of Government Operations*; Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantee*; and Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Application of these standards may restate portions of these financial statements.

NOTE 2 – CASH AND CASH EQUIVALENTS

The Authority's deposits in banks at June 30, 2014 and 2013 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 As of and for the Years Ended June 30, 2014 and 2013

NOTE 3 – CAPITAL ASSETS

Capital assets activity for fiscal year 2014 and 2013 consists of the following:

	July 1, 2013	Additions	Deletions	Transfers	June 30, 2014
Capital assets not being depreciated					
Land	\$ 1,430,823	\$ -	\$ -	\$ -	\$ 1,430,823
Construction in progress	4,359,832	997,299	-	(4,186,708)	1,170,423
Total Capital Assets Not Being Depreciated	5,790,655	997,299	-	(4,186,708)	2,601,246
Capital assets being depreciated/amortized					
Buildings	32,813,257	194,957	179,952	124,703	32,952,965
Revenue equipment	38,331,511	-	1,017,870	-	37,313,641
On call revenue equipment	492,778	-	-	-	492,778
Fare collection equipment	1,214,757	-	-	-	1,214,757
Service cars and trucks	452,768	-	-	27,481	480,249
Shop and garage equipment	745,040	18,308	-	-	763,348
Furniture and office equipment	692,942	-	-	-	692,942
Computer equipment and software	3,742,976	59,227	43,144	225,001	3,984,060
Miscellaneous equipment	742,036	40,837	52,345	-	730,528
Communication equipment	1,477,549	41,554	18,543	3,250,907	4,751,467
Paratransit vehicles	3,323,639	-	199,914	-	3,123,725
Rideshare vehicles	2,561,850	37,646	310,930	558,616	2,847,182
Total Capital Assets Being Depreciated/Amortized	86,591,103	392,529	1,822,698	4,186,708	89,347,642
Less: Accumulated depreciation and amortization:					
Buildings	7,070,587	1,207,735	179,952	-	8,098,370
Revenue equipment	21,620,136	2,639,846	1,017,870	-	23,242,112
On call revenue equipment	287,182	98,556	-	-	385,738
Fare collection equipment	1,051,349	26,718	-	-	1,078,067
Service cars and trucks	437,141	16,337	-	-	453,478
Shop and garage equipment	337,248	103,050	-	-	440,298
Furniture and office equipment	69,322	127,149	-	-	196,471
Computer equipment and software	2,456,332	542,458	43,144	-	2,955,646
Miscellaneous equipment	363,398	121,677	52,345	-	432,730
Communication equipment	640,539	729,348	18,543	-	1,351,343
Paratransit vehicles	2,015,624	345,086	199,914	-	2,160,797
Rideshare vehicles	1,998,231	433,919	310,930	-	2,121,220
Total Accumulated Depreciation and Amortization	38,347,089	6,391,879	1,822,698	-	42,916,270
Total Capital Assets Being Depreciated/Amortized, Net	48,244,014	(5,999,350)	-	4,186,708	46,431,372
Net Capital Assets	\$ 54,034,669	\$ (5,002,051)	\$ -	\$ -	\$ 49,032,618

DES MOINES AREA REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2014 and 2013

NOTE 3 – CAPITAL ASSETS (cont.)

	July 1, 2012	Additions	Deletions	Transfers	June 30, 2013
Capital assets not being depreciated					
Land	\$ 1,430,823	\$ -	\$ -	\$ -	\$ 1,430,823
Construction in progress	17,665,473	2,386,743	-	(15,692,384)	4,359,832
Total Capital Assets Not Being Depreciated	19,096,296	2,386,743	-	(15,692,384)	5,790,655
Capital assets being depreciated/amortized					
Buildings	13,160,956	4,532,728	145,480	15,265,053	32,813,257
Revenue equipment	34,413,470	5,739,528	2,226,391	404,904	38,331,511
On call revenue equipment	836,794	60,830	-	(404,846)	492,778
Fare collection equipment	1,214,757	-	-	-	1,214,757
Service cars and trucks	433,014	-	-	19,754	452,768
Shop and garage equipment	508,572	249,406	12,938	-	745,040
Furniture and office equipment	70,854	362,621	-	259,467	692,942
Computer equipment and software	2,698,970	1,061,884	17,878	-	3,742,976
Miscellaneous equipment	445,649	280,022	47,805	64,170	742,036
Communication equipment	964,732	424,219	14,810	103,408	1,477,549
Paratransit vehicles	4,103,043	239,207	1,018,839	228	3,323,639
Rideshare vehicles	2,933,232	-	351,628	(19,754)	2,561,850
Total Capital Assets Being Depreciated/Amortized	61,784,043	12,950,445	3,835,769	15,692,384	86,591,103
Less: Accumulated depreciation and amortization:					
Buildings	6,488,883	664,707	83,003	-	7,070,587
Revenue equipment	20,881,661	2,731,464	2,226,391	233,402	21,620,136
On call revenue equipment	424,060	96,524	-	(233,402)	287,182
Fare collection equipment	1,021,629	29,720	-	-	1,051,349
Service cars and trucks	399,332	18,055	-	19,754	437,141
Shop and garage equipment	263,452	86,734	12,938	-	337,248
Furniture and office equipment	63,861	5,461	-	-	69,322
Computer equipment and software	1,952,474	503,858	-	-	2,456,332
Miscellaneous equipment	311,621	99,582	47,805	-	363,398
Communication equipment	497,783	157,566	14,810	-	640,539
Paratransit vehicles	2,676,501	357,963	1,018,840	-	2,015,624
Rideshare vehicles	1,940,926	428,687	351,628	(19,754)	1,998,231
Total Accumulated Depreciation and Amortization	36,922,183	5,180,321	3,755,415	-	38,347,089
Total Capital Assets Being Depreciated/Amortized, Net	24,861,860	7,770,124	80,354	15,692,384	48,244,014
Net Capital Assets	\$ 43,958,156	\$ 10,156,867	\$ 80,354	\$ -	\$ 54,034,669

Most of these assets were acquired with the assistance of federal funds. Under the terms of those grants, proceeds from the disposition of these assets may be required to be refunded to the federal government in the same proportion that the federal government participated in the cost of acquisition.

DES MOINES AREA REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2014 and 2013

NOTE 3 – CAPITAL ASSETS (cont.)

At June 30, 2014, construction in progress consists of various projects, including barn portals project in the amount of \$372,440, fare boxes totaling \$326,322 and other minor projects totaling \$471,661.

At June 30, 2013, construction in progress consisted of various projects, including automatic vehicle location system in the amount of \$3,009,264 and other minor projects totaling \$1,350,568.

NOTE 4 – CAPITAL LEASES

During fiscal year 2003 and 2004, the Authority financed the acquisition of 16 buses by means of a capital lease, and therefore, has been recorded at the present value of the future minimum lease payments as of the inception date.

The revenue equipment acquired includes transportation vehicles with a historical cost of \$4,421,419 and accumulated amortization of \$4,214,165 and \$3,845,713 at June 30, 2014 and 2013, respectively. Amortization expense for these assets totaled \$368,452 for the years ended June 30, 2014 and 2013.

The liability under this lease at June 30, 2014 and 2013 was \$70,901 and \$207,955, respectively. The obligation is due in semiannual installments of \$72,549 through November, 2014. The interest rate of the lease is 4.55%

In fiscal year 2008, the Authority financed the acquisition of software by means of a capital lease. The final payment under this lease was made during fiscal year 2013.

At June 30, 2014, future minimum lease payments are as follows:

2015		\$	72,549
Total			72,549
Less: Amount representing interest			1,648
Less: Current obligations under capital lease			70,901
Capital Lease Obligations, Net of Current Obligations		\$	<u> -</u>

A summary of changes in the capital lease during fiscal year 2014 was as follows:

	<u>July 1, 2013</u>	<u>Additions</u>	<u>Payments</u>	<u>June 30, 2014</u>	<u>Due Within One Year</u>
Capital lease	\$ 207,955	\$ -	\$ 137,054	\$ 70,901	\$ 70,901

A summary of changes in capital leases during fiscal year 2013 were as follows:

	<u>July 1, 2012</u>	<u>Additions</u>	<u>Payments</u>	<u>June 30, 2013</u>	<u>Due Within One Year</u>
Capital lease	\$ 495,625	\$ -	\$ 287,670	\$ 207,955	\$ 137,054

DES MOINES AREA REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2014 and 2013

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 bonds were issued to provide for operations and payment of claims.

The following is a summary of changes in general obligation bonds of the Authority as of June 30, 2014:

	Balance June 30, 2013	Increases	Decreases	Balance June 30, 2014	Due Within One Year
General obligation bonds	\$ 2,516,306	\$ -	\$ 327,329(1)	\$ 2,188,977(1)	\$ 340,000

(1) Bonds were sold at a discount; unamortized discount at June 30, 2014 totaled \$16,023. Amortization of \$2,671 was recognized during fiscal year 2014.

The following is a summary of changes in general obligation bonds of the Authority as of June 30, 2013:

	Balance June 30, 2012	Increases	Decreases	Balance June 30, 2013	Due Within One Year
General obligation bonds	\$ 2,838,636	\$ -	\$ 322,330(1)	\$ 2,516,306(1)	\$ 330,000

(1) Bonds were sold at a discount; unamortized discount at June 30, 2013 totaled \$18,694. Amortization of \$2,670 was recognized during fiscal year 2013.

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
2015	\$ 340,000	\$ 58,550	\$ 398,550
2016	350,000	51,750	401,750
2017	360,000	43,875	403,875
2018	370,000	34,695	404,695
2019	385,000	24,150	409,150
2020	400,000	12,600	412,600
Totals	\$ 2,205,000	\$ 225,620	\$ 2,430,620

NOTE 6 – PENSION AND RETIREMENT BENEFITS

The Authority contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits that are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

DES MOINES AREA REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2014 and 2013

NOTE 6 – PENSION AND RETIREMENT BENEFITS (cont.)

Plan members were required to contribute 5.95% and 5.78% of their annual salary for fiscal year 2014 and 2013, respectively, and the Authority was required to contribute 8.93% and 8.67% of annual covered payroll for fiscal year 2014 and 2013, respectively. Contribution requirements are established by State statute. The Authority's contribution to IPERS for the years ended June 30, 2014, 2013 and 2012, were \$1,048,158, \$910,823, and \$801,574, respectively, equal to the required contributions for each year.

NOTE 7 – DEFINED CONTRIBUTION PLAN (457 PLAN)

The Authority offers a 457 plan (Plan) to all eligible employees who agree to make contributions to the Plan. Participation in the Plan is optional and not a requirement of all employees. Principal Financial administers this defined contribution plan. Amendments to the Plan under \$100,000 can be made at the authority of the General Manager. Any amendments to the Plan that exceed \$100,000 must be approved by the Commission. The Authority provides matching contributions equal to 100% of the first 3% of compensation, which is a maximum of \$2,000 annually. Total expense for the year ended June 30, 2014 and 2013 was \$62,366 and \$36,681, respectively.

NOTE 8 – POST EMPLOYMENT BENEFITS

PLAN DESCRIPTION

The Authority sponsors a single-employer health care plan that provides health and dental benefits to qualified active employees, retirees, and their eligible spouses and dependents. Currently, there are 4 retired members within the plan and 7 active employees who may qualify at a future date. The retiree class is a special, frozen group all aged over 65 who are enrolled through the Authority in a Medicare Supplement policy. The plan is provided to these retirees at subsidized rates until death. In order for the active employee to qualify for benefits, one must have been employed since 1986 within the ATU union and retire through disability prior to Medicare eligibility. Should an employee meet the aforementioned criteria, the Authority will provide one year of health insurance benefits at no cost to the retiree. As stated above, there are 7 employees who meet the first two points of criteria.

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. Retiree expenses are then offset by monthly contributions.

FUNDING POLICY

The Authority establishes and amends contribution requirements.

The required contribution is based on projected pay-as-you-go financing. For fiscal year 2014, total contributions to the plan were \$18,639, the Authority contributed \$14,889 and the collective retirees paid \$3,750. For fiscal year 2013, the total contributions to the plan were \$20,722. The Authority contributed \$16,972 and the collective retirees paid \$3,249.

DES MOINES AREA REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2014 and 2013

NOTE 8 – POST EMPLOYMENT BENEFITS (cont.)

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.

	2014	2013
Annual required contribution	\$ 5,704	\$ 5,704
Interest on net OPEB obligation	9,031	9,643
Adjustment to annual required contribution	(13,681)	(13,681)
Annual OPEB Cost (Expense)	1,054	1,666
Contributions and payments made	14,889	16,972
Decrease in net OPEB obligation	13,835	15,306
Net OPEB obligation, July 1	220,053	235,359
Net OPEB obligation, June 30	\$ 206,218	\$ 220,053

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2014 follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2014	\$ 1,054	1412.6%	\$ 206,218
June 30, 2013	1,666	1018.7%	220,053
June 30, 2012	2,092	610.1%	235,359

FUNDED STATUS AND FUNDING PROGRESS

As of July 1, 2011, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$102,574 and the actuarial value of assets is zero resulting in an unfunded actuarial accrued liability (UAAL) of \$102,574. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$387,458, and the ratio of the UAAL to the covered payroll was 26.6%. As of June 30, 2014 and 2013, 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, mortality, 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 As of and for the Years Ended June 30, 2014 and 2013

NOTE 8 – POST EMPLOYMENT BENEFITS (cont.)

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 July 1, 2011 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 4.0 percent discount rate, an annual health care cost trend rate of 8.0 percent reduced by decrements of .50 percent annually to an ultimate rate of 4.0 percent for medical 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 \$1,006 per month for retirees. 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 9 – 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 from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There were no significant reductions in coverage compared to the prior year. The Authority assumes liability for any deductibles and claims in excess of coverage limitations.

The Authority is self-insured with respect to dental insurance. The Authority pays all dental insurance claims incurred by its participants. At June 30, 2014 and 2013, the Authority had established a reserve of \$1,322 and \$66,592, respectively, for claims which is reported with accrued payroll and benefits. This estimate is based on management's expectation of claims paid per employee per month.

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.

At June 30, 2014 and 2013, the Authority had established reserves of \$115,000 and \$105,000 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.

DES MOINES AREA REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2014 and 2013

NOTE 9 – RISK MANAGEMENT (cont.)

The following is a summary of claims paid and liabilities recorded for the years ended June 30, 2014 and 2013:

	2014	
	Dental	General Liability
Accrued claims at beginning of year	\$ 66,592	\$ 105,000
Claims paid	(74,850)	(276,570)
Amount reserved	-	166,570
Increase (Reduction) in reserve	<u>9,580</u>	<u>120,000</u>
Accrued Claims at End of Year	<u>\$ 1,322</u>	<u>\$ 115,000</u>
	2013	
	Dental	General Liability
Accrued claims at beginning of year	\$ 50,989	\$ 265,000
Claims paid	(63,604)	(79,624)
Amount reserved	79,207	73,874
Reduction in reserve	<u>-</u>	<u>(154,250)</u>
Accrued Claims at End of Year	<u>\$ 66,592</u>	<u>\$ 105,000</u>

NOTE 10 – SUBSEQUENT EVENTS

The Authority evaluated subsequent events through December 18, 2014, the date that the financial statements were available to be issued and did not note any subsequent events requiring recording or disclosure in the financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

DES MOINES AREA REGIONAL TRANSIT AUTHORITY

BUDGETARY COMPARISON SCHEDULE OF REVENUES
EXPENSES AND CHANGES IN NET POSITION - BUDGET AND ACTUAL
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2014

	Actual	Adjustment to Budget Basis	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
REVENUES	\$ 27,755,237	\$ -	\$ 27,755,237	\$ 26,766,521	\$ 26,766,521	\$ 988,716
EXPENSES	<u>31,326,494</u>	<u>(5,752,175)</u>	<u>25,574,319</u>	<u>26,766,521</u>	<u>26,766,521</u>	<u>(1,192,202)</u>
Excess of revenues over expenses	<u>\$ (3,571,257)</u>	<u>\$ 5,752,175</u>	<u>\$ 2,180,918</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,180,918</u>

See accompanying notes to required supplementary information and independent auditors' report.

DES MOINES AREA REGIONAL TRANSIT AUTHORITY

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

As of and for the Year Ended June 30, 2014

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 difference 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, 2014, expenses did not exceed the amount budgeted.

DES MOINES AREA REGIONAL TRANSIT AUTHORITY

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN

REQUIRED SUPPLEMENTARY INFORMATION

Fiscal Year Ended	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 2012	July 1, 2011	\$ -	\$ 102,574	\$ 102,574	0.0%	\$ 375,821	27.3%
June 30, 2013	July 1, 2011	-	102,574	102,574	0.0%	387,458	26.5%
June 30, 2014	July 1, 2011	-	102,574	102,574	0.0%	395,819	25.9%

See Note 8 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.

OTHER SUPPLEMENTARY INFORMATION

DES MOINES AREA REGIONAL TRANSIT AUTHORITY

SCHEDULES OF REVENUES, EXPENSES AND CHANGES IN NET POSITION — FIXED ROUTE DIVISION For the Years Ended June 30, 2014 and 2013

	2014	2013
OPERATING REVENUES		
Passenger fares	\$ 2,600,323	\$ 2,489,725
Contracted service	1,761,932	1,750,377
Advertising income	118,363	147,829
Total Operating Revenues	4,480,618	4,387,931
 OPERATING EXPENSES		
Transportation	7,516,834	6,675,839
Vehicle maintenance and fuel	6,489,571	5,856,918
Insurance	829,138	465,010
General and administration	804,373	645,321
Accounting	564,640	568,802
Information technology	1,115,298	1,072,582
Planning	440,118	440,773
Personnel	342,536	323,987
Customer service	447,352	416,336
Marketing and communications	469,380	533,256
Building and grounds	1,307,963	1,033,175
Service management	739,152	634,742
Training	104,208	124,693
On-call service	130,998	136,594
Purchasing and inventory	253,401	294,712
Overhead allocations	(383,268)	(319,168)
Operating Expenses Except Depreciation	21,171,694	18,903,572
 Operating loss before depreciation	(16,691,076)	(14,515,641)
 DEPRECIATION AND AMORTIZATION	5,608,014	4,387,977
Operating loss including depreciation and amortization	(22,299,090)	(18,903,618)
 OTHER INCOME (EXPENSE)		
Government operating assistance		
Member municipalities	680,000	680,000
Property tax	11,765,395	9,813,458
FTA operating assistance	3,890,592	4,309,727
IDOT operating assistance	1,144,288	1,031,198
IDOT special projects	50,919	37,275
FTA grant income	805,806	791,151
Gain on disposition of fixed assets	25,138	1,216
Interest income	2,609	2,688
Miscellaneous income	31,548	86,445
Interest expense	(137,515)	(96,070)
Total Other Income	18,258,780	16,657,088
 NET LOSS AFTER OTHER INCOME	\$ (4,040,310)	\$ (2,246,530)

DES MOINES AREA REGIONAL TRANSIT AUTHORITY

SCHEDULES OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION — PARATRANSIT DIVISION
For the Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
OPERATING REVENUES		
Service income	\$ 1,851,312	\$ 1,963,244
Passenger fares	<u>98,137</u>	<u>88,110</u>
Total Operating Revenues	<u>1,949,449</u>	<u>2,051,354</u>
OPERATING EXPENSES		
Wages	1,238,248	1,333,960
Employee benefits	203,738	194,847
Payroll taxes	244,637	276,301
Insurance	6,663	41,974
Fuel and lubricants	359,075	377,561
Maintenance and repairs	255,084	233,376
Contracted services, cabs	187,521	180,051
Other	30,884	15,497
Overhead allocations	<u>302,460</u>	<u>238,118</u>
Total Operating Expenses	<u>2,828,310</u>	<u>2,891,685</u>
Operating loss before depreciation	(878,861)	(840,331)
DEPRECIATION	<u>345,086</u>	<u>357,963</u>
Operating loss including depreciation	<u>(1,223,947)</u>	<u>(1,198,294)</u>
OTHER INCOME		
Government operating assistance		
Property taxes	260,000	171,495
ADA subsidy	375,000	374,920
FTA operating assistance	52,868	41,505
IDOT operating assistance	36,131	20,052
IDOT special projects	-	44,649
FTA grant income	148,535	108,009
Gain on disposition of fixed assets	<u>10,832</u>	<u>12,079</u>
Total Other Income	<u>883,366</u>	<u>772,709</u>
NET LOSS AFTER OTHER INCOME	<u>\$ (340,581)</u>	<u>\$ (425,585)</u>

DES MOINES AREA REGIONAL TRANSIT AUTHORITY

SCHEDULES OF REVENUES, EXPENSES AND CHANGES IN NET POSITION — RIDESHARE DIVISION

For the Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
OPERATING REVENUES		
Passenger fares	\$ 920,267	\$ 953,768
OPERATING EXPENSES		
Wages and benefits	132,108	114,850
Service contracts	7,829	6,052
Administrative miscellaneous	2,143	4,278
Promotional events	5,402	3,000
Insurance	31,664	31,899
Maintenance and repairs	166,190	125,868
Fuels and lubricants	351,369	410,925
Drug screening	3,381	1,929
Miscellaneous	21,061	19,800
Overhead allocation	80,808	81,050
Total Operating Expenses	<u>801,955</u>	<u>799,651</u>
Operating income before depreciation	118,312	154,117
DEPRECIATION	<u>433,920</u>	<u>428,687</u>
Operating loss including depreciation	<u>(315,608)</u>	<u>(274,570)</u>
OTHER INCOME		
Gain on disposition of fixed assets	70,994	81,334
Miscellaneous income	2,773	-
Total Other Income	<u>73,767</u>	<u>81,334</u>
NET LOSS AFTER OTHER INCOME	<u>\$ (241,841)</u>	<u>\$ (193,236)</u>

DES MOINES AREA REGIONAL TRANSIT AUTHORITY

STATE OF IOWA REQUIRED STATUTORY REPORTING As of and for the Year Ended June 30, 2014

- 2013-A Certified Budget – Disbursements during the year ended June 30, 2014 did not exceed the amount budgeted. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”
- 2013-B 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.
- 2014-C Travel Expense – No disbursements of the Authority money for travel expenses of spouses of Authority officials or employees were noted.
- 2014-D Business Transactions – No business transactions between the Authority and Authority officials or employees were noted.
- 2014-E 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 ensure the coverage is adequate for current operations.
- 2014-F Commission Minutes – No transactions were found that we believe should have been approved in the Commission minutes but were not.
- 2014-G Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa were noted.

REPORT ON FEDERAL AWARDS

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*

Independent Auditors' Report

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

We have audited, 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, the financial statements of Des Moines Area Regional Transit Authority as of and for the year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise Des Moines Area Regional Transit Authority's basic financial statements, and have issued our report thereon dated December 18, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Des Moines Area Regional Transit Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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. Accordingly, we do not express an opinion on the effectiveness of Des Moines Area Regional Transit Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. 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. A *material weakness* is a deficiency, or a 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. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness. This material weakness is item 2014-001.

To the Commission
Des Moines Area Regional Transit Authority

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Des Moines Area Regional Transit Authority's financial statements are free from 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 Des Moines Area Regional Transit Authority's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of Des Moines Area Regional Transit 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 Response to Finding

Des Moines Area Regional Transit Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Des Moines Area Regional Transit Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Baker Tilly Virchow Krause, LLP

Madison, Wisconsin
December 18, 2014

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE;
AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY OMB CIRCULAR A-133

Independent Auditors' Report

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

Report on Compliance for Major Federal Program

We have audited Des Moines Area Regional Transit Authority's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Des Moines Area Regional Transit Authority's major federal programs for the year ended June 30, 2014. Des Moines Area Regional Transit Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Des Moines Area Regional Transit Authority's major federal program based on our audit of the types of compliance requirements referred to above. 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 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 that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Des Moines Area Regional Transit Authority's compliance.

To the Commission
Des Moines Area Regional Transit Authority

Opinion on Major Federal Program

In our opinion, Des Moines Area Regional Transit Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of Des Moines Area Regional Transit Authority is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit of compliance, we considered Des Moines Area Regional Transit Authority's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program 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 a 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

To the Commission
Des Moines Area Regional Transit Authority

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of Des Moines Area Regional Transit Authority as of and for the year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise Des Moines Area Regional Transit Authority's basic financial statements. We issued our report thereon dated December 18, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Baker Tilly Virchow Krause, LLP

Madison, Wisconsin
December 18, 2014

DES MOINES AREA REGIONAL TRANSIT AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2014

Federal Agency/Pass-Through Agency/Program or Cluster Title	Pass-Through Agency	Federal CFDA Number	Local Agency Contract Number	Federal Expenditures
U.S. Department of Transportation				
Federal Transit Cluster				
ARRA - Federal Transit Formula Grants		20.507	IA-96-X002-01	\$ 65,961
Federal Transit Formula Grants		20.507	IA-90-X352-01	52,677
Federal Transit Formula Grants		20.507	IA-90-X365-01	36,274
Federal Transit Formula Grants		20.507	IA-90-X374-02	357,324
Federal Transit Formula Grants		20.507	IA-90-X388-01	365,547
Federal Transit Formula Grants		20.507	IA-90-X401-00	4,147,000
Federal Transit Formula Grants	IDOT*	20.507	95-X014-194-13	251,552
Federal Transit Formula Grants	IDOT*	20.507	95-X014-194-14	<u>158,176</u>
Total Federal Transit Formula Grants				5,434,511
Federal Transit Capital Investment Grants		20.500	IA-04-0118-00	41,684
Federal Transit Capital Investment Grants		20.500	IA-04-0130-00	129,090
Federal Transit Capital Investment Grants	IDOT*	20.500	04-0129-194-13	<u>31,235</u>
Total Federal Transit Capital Investment Grants				<u>202,009</u>
Total Federal Transit Cluster				5,636,520
Formula Grants for Rural Areas	IDOT*	20.509	18-0031-194-14	52,868
Enhanced Mobility of Seniors and Individuals with Disabilities		20.513	IA-16-X003-00	243,697
Enhanced Mobility of Seniors and Individuals with Disabilities		20.513	IA-16-X006-00	<u>19,838</u>
Total Enhanced Mobility of Seniors and Individuals with Disabilities Grants				<u>263,535</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u>\$ 5,952,923</u>

*Iowa Department of Transportation

DES MOINES AREA REGIONAL TRANSIT AUTHORITY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended June 30, 2014

NOTE 1 – REPORTING ENTITY

This report on Federal Awards includes the federal awards of the Des Moines Area Regional Transit Authority. The reporting entity for the Des Moines Area Regional Transit Authority is based upon criteria established by the Governmental Accounting Standards Board.

NOTE 2 – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting records of the Authority's grant programs are maintained on the accrual basis of accounting. Expenditures are recorded when the liability is incurred and revenues are recorded as earned.

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*.

NOTE 3 – DESCRIPTION OF MAJOR PROGRAM

There was one major program for the year ended June 30, 2014. The Federal Transit Cluster includes the Federal Transit Capital Investment Grants (CFDA #20.500) and the Federal Transit Formula Grants (CFDA #20.507) awarded by the Federal Transit Administration – U.S. Department of Transportation to the Des Moines Area Regional Transit Authority for the purpose of financing capital projects and supporting public transportation services in urbanized areas.

NOTE 4 – RECONCILIATION TO THE FINANCIAL STATEMENTS

The Federal aid is included in the statement of revenues, expenses, and changes in net position as follows:

Capital contributions	\$ 1,051,475
FTA operating assistance	3,943,460
FTA grant income	954,341
ADA subsidy	375,000
Less: State capital contributions	<u>(371,353)</u>
Total	<u>\$ 5,952,923</u>

DES MOINES AREA REGIONAL TRANSIT AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2014

SECTION I – SUMMARY OF AUDITORS’ RESULTS

FINANCIAL STATEMENTS

Type of auditors’ report issued: unmodified

Internal control over financial reporting:

- > Material weakness(es) identified? X yes no
- > Significant deficiencies identified? yes X none reported

Noncompliance material to financial statements noted?

 yes X no

FEDERAL AWARDS

Internal control over major programs:

- > Material weakness(es) identified? yes X no
- > Significant deficiencies identified? yes X none reported

Type of auditor’s report issued on compliance for major programs: unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

 yes X no

Auditee qualified as low-risk auditee?

 yes X no

Identification of major federal program:

CFDA Numbers

20.500
20.507

Name of Federal Program or Cluster

Federal Transit Cluster including:
Federal Transit Capital Investment Grants
Federal Transit Formula Grants

 Federal

Dollar threshold used to distinguish between type A and type B programs:

 \$300,000

DES MOINES AREA REGIONAL TRANSIT AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended June 30, 2014

SECTION II – FINANCIAL STATEMENT FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

FINDING 2014-001: INTERNAL CONTROL OVER FINANCIAL REPORTING

Criteria: AU Section 325, *Communicating Internal Control Related Matters Identified in an Audit*, requires auditors to report a weakness if the Authority is not able to prepare its year-end financial statements, including the statement of cash flows and all footnote disclosures; prepare the schedule of expenditures of federal awards; or has material journal entries.

Condition: We, as your auditors, prepared the financial statements.

Cause: The accounting department has a limited number of staff and employees do not have the time available or certain specialized expertise required to prepare GAAP financial statements.

Effect: Without adequate internal control over financial reporting, the financial statements may not contain all of the required disclosures and account balances if prepared by Des Moines Area Regional Transit Authority. As a result, the annual financial statements as included in this report are not available to the Authority until they are completed by the auditors.

Recommendation: We recommend that the Authority review its resources and processes and evaluate the potential benefits associated with increased financial reporting capabilities and reviews.

Management Response: Management hired a Finance Manager following the FY2013 audit. Since this position was put in place, there has been an improvement in financial reporting capabilities. The Finance department plans to continue to provide more involvement in the preparation of the year end financial statements, including statement of cash flows and footnote disclosures.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted

SECTION IV – PRIOR YEAR FINDINGS

Finding 2013-001	Partially repeated as 2014-001, partially resolved
Finding 2013-002	Resolved
Finding 2013-003	Resolved
Finding 2013-004	Resolved