

**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, 2015 and 2014

DES MOINES AREA REGIONAL TRANSIT AUTHORITY
Des Moines, Iowa

TABLE OF CONTENTS
As of and for the Years Ended June 30, 2015 and 2014

Officials	1
Independent Auditors' Report	2 – 4
Management's Discussion and Analysis	5 – 12
Financial Statements	
Statements of Net Position	13 – 14
Statements of Revenues, Expenses and Changes in Net Position	15
Statements of Cash Flows	16 – 17
Notes to Financial Statements	18 – 37
Required Supplementary Information	
Budgetary Comparison Schedule of Revenues, Expenses and Changes in Net Position – Budget and Actual	38
Note to Required Supplementary Information – Budgetary Reporting	39
Schedule of Funding Progress for the Retiree Health Plan	40
Schedule of the Authority's Proportionate Share of the Net Pension Liability	41
Note to Required Supplementary Information – Pension Liability	42 – 43
Other Supplementary Information	
Schedules of Revenues, Expenses and Changes in Net Position – Fixed Route Division	44
Schedules of Revenues, Expenses and Changes in Net Position – Paratransit Division	45
Schedules of Revenues, Expenses and Changes in Net Position – Rideshare Division	46
State of Iowa Required Statutory Reporting	47
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 <i>Government Auditing Standards</i>	48 – 49
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	50 – 52
Schedule of Expenditures of Federal Awards	53
Notes to Schedule of Expenditures of Federal Awards	54
Schedule of Findings and Questioned Costs	55 – 56

DES MOINES AREA REGIONAL TRANSIT AUTHORITY

Des Moines, Iowa

OFFICIALS

Name and Title	Representing
COMMISSION	
Steve Peterson, Chair	Region 2 - West Des Moines, Windsor Heights, Clive
Tom Gayman, Vice Chair	Region 4 - Granger, Grimes, Johnston, Urbandale
Skip Conkling, Member	Region 1 - Altoona, Bondurant, Carlisle, Des Moines, Elkhart, Mitchellville, Runnells
Christine Hensley, Member	Region 3 - Des Moines
Bob Mahaffey, Secretary/Treasurer	Region 5 - Des Moines, Pleasant Hill
Joann Muldoon, Member	Region 6 - Des Moines
Steve Van Oort, Member	Region 7 - Ankeny, Des Moines, Polk City, Alleman
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, 2015 and 2014, 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 audit 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.

To the Commission
Des Moines Area Regional Transit Authority

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, 2015 and 2014, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in the Note 1, Des Moines Area Regional Transit Authority has adopted the provisions of GASB Statement No. 68, *Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, effective July 1, 2014. The cumulative effect of the change is shown in the current year. 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, 2014 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, Schedule of Funding Progress for the Retiree Health Plan and Schedule of the Authority's Proportionate Share of the Net Pension Liability 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 not to include a discussion of changes from fiscal 2013 to 2014 in the Management's Discussion and Analysis as is required by 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 an opinion 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 November 30, 2015 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 Virchow Krause, LLP

Madison, Wisconsin
November 30, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

DES MOINES AREA REGIONAL TRANSIT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2015

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, 2015. Please read it in conjunction with the Independent Auditor's Report on pages 2-4 and DART's financial statements, which begin on page 13.

FINANCIAL HIGHLIGHTS

- > Total assets and deferred outflows increased \$5,641,039 for the twelve month period ending June 30, 2015.
 - > Capital assets net of accumulated depreciation increased by a total of \$1,741,932 from the prior year. The growth in net assets is a result of multiple building repair projects, rolling stock replacement vehicles, as well as an increase in work in process assets. Major purchases are outlined on page 25, in Note 3 Capital Assets, which include revenue vehicles for Fixed Route, Paratransit, and Rideshare as well as facility and technology projects.
 - > Total capital assets include Construction in Progress of \$2,353,652 which is comprised of multiple projects including facility construction, Rideshare Revenue Vehicles, Farebox, and a 60 foot Fixed Route articulated bus.
 - > Current assets increased.

» Cash and cash equivalents increased	\$ 1,591,980
» Trade accounts receivable (net) decreased	(293,189)
» Federal grant receivables decreased	(648,617)
» Property tax receivables increased	1,692,739
» Inventories decreased	(12,962)
» Prepaid expenses decreased	(496,732)
 - > During FY2015, DART recognized Deferred Outflows of Resources in the amount of \$2,059,675. This was related to the implementation of GASB No. 68, Accounting and Financial Reporting for Pensions. The implementation of No. 68 is an amendment of GASB No. 27, Pension Components. DART is a member of the Iowa Public Employee's Retirement System (IPERS), and therefore the change in accounting was necessary. Please refer to Note 6 for individual items which account for the balance of the Deferred Outflows of Resources.
- > Total liabilities and deferred inflows increased \$11,148,601 for the twelve month period ending June 30, 2015.
 - > Current liabilities decreased \$228,833 with the primary drivers being a reduction in Accrued payroll and benefits as well as the completion of DART's Capital Lease in the prior year.

See independent auditors' report.

DES MOINES AREA REGIONAL TRANSIT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2015

FINANCIAL HIGHLIGHTS (cont.)

- > Total Current liabilities include:
 - » Accrued payroll and benefits decreased (\$179,476)
 - » Accounts payable decreased (15,371)
 - » Accrued self-insurance claims increased 18,500
 - » Current obligations of capital leases decreased (70,901)
 - » Construction contracts payable increased 7,531

- > Long-term liabilities increased \$6,726,133 primarily due to a change in accounting standard. The Governmental Accounting Standards Board (GASB) issued Statement No. 68 which aimed to improve reporting of state and local governmental pensions. As a result, DART is reporting a Pension liability of \$7,082,878 for the first year of the new standard.

- > DART recognized \$2,701,206 in Deferred Inflows of Resources related to the implementation of GASB No. 68 pension components. Please refer to Note 6 for individual items which account for the balance of the Deferred Inflows of Resources related to DART's pension liability. Additionally, succeeding year property taxes increased \$1,716,338 which was equal to the increase in the 2016 property tax levy.

- > As a result of the implementation of GASB No. 68, a cumulative effect of a change in accounting principle was recorded for \$8,153,656. The adjustment recognized the actuarially determined pension liability of \$9,197,255 as of June 30, 2014 less FY'15 contributions of \$1,043,599. Please refer to Note 10 for additional detail of the cumulative effect of a change in accounting principle. As a result, total net position decreased by \$5,507,562 primarily due to the Pension liability addition of \$7,082,878. This was partially offset by the Pension deferred outflow of resources totaling \$2,059,675.

DES MOINES AREA REGIONAL TRANSIT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2015

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 the statements of net position is presented below:

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

	2015	2014	2013
Current and other assets	\$ 26,969,532	\$ 25,130,100	\$ 23,599,449
Capital assets; net of depreciation	50,774,550	49,032,618	54,102,258
Total Assets	77,744,082	74,162,718	77,701,707
Pension deferred outflows of resources	2,059,675	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 79,803,757	\$ 74,162,718	\$ 77,701,707
Current Liabilities	\$ 2,825,394	\$ 3,054,227	\$ 4,086,070
Long-term Liabilities	8,781,328	2,055,195	2,477,260
Total Liabilities	11,606,722	5,109,422	6,563,330
Pension deferred inflows of resources	2,701,206	-	-
Deferred capital revenues	233,757	-	-
Succeeding year property taxes	15,227,910	13,511,572	12,025,396
Deferred Inflows of Resources	18,162,873	13,511,572	12,025,396
Net investment in capital assets*	50,774,550	48,961,717	53,826,714
Unrestricted net position	(740,388)	6,580,007	5,286,267
Total Net Position	50,034,162	55,541,724	59,112,981
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 79,803,757	\$ 74,162,718	\$ 77,701,707

*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, 2015

OVERVIEW OF FINANCIAL STATEMENTS (cont.)

Table 2
Des Moines Area Regional Transit Authority
Statements of Revenues, Expenses and Changes in Net Position
June 30

	<u>2015</u>	<u>2014</u>	<u>2013</u>
OPERATING REVENUES			
Passenger fares	\$ 3,516,223	\$ 3,618,727	\$ 3,531,603
Other fares	3,637,942	3,613,244	3,713,621
Advertising income	116,872	118,363	147,829
Total Operating Revenues	<u>7,271,037</u>	<u>7,350,334</u>	<u>7,393,053</u>
NON-OPERATING NET REVENUES	<u>20,808,758</u>	<u>19,215,913</u>	<u>17,511,131</u>
Total Revenues	<u>28,079,795</u>	<u>26,566,247</u>	<u>24,904,184</u>
Operating expenses	25,473,792	24,801,959	22,594,908
Depreciation	6,204,809	6,387,020	5,174,627
Total Expenses	<u>31,678,601</u>	<u>31,188,979</u>	<u>27,769,535</u>
Funds received for capital purchases	<u>6,244,900</u>	<u>1,051,475</u>	<u>14,432,854</u>
CHANGE IN NET POSITION	<u>\$ 2,646,094</u>	<u>\$ (3,571,257)</u>	<u>\$ 11,567,503</u>

YEAR-TO-YEAR COMPARISON

In FY2015, ridership for Fixed Route increased 2.54%, Rideshare customers decreased 5.47% and Paratransit ridership decreased by 3.23 %. Passenger fares are down 2.8% from the prior year. Other fares remained stable with a small increase of .68%.

Fixed Route had an overall increase of 1.4% in total operating revenues. The increase was seen in the contracted services area. Service expansion and improvement was attributed to the uptick in ridership while a change in the mix of ridership type is attributed to the slight decrease in passenger fares.

Paratransit operating revenue decreased by 2.9% overall for FY2015. 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 23.9% which offset the reduction.

Rideshare had a 5.47% decrease in ridership and a 9.1% decrease in operating revenues:

- > 93 vans were in operation at year-end compared to 92 vans in the prior year.
- > Average monthly fare per van pool was down 10%, \$749 in FY2015 vs \$834 in FY2014.

DES MOINES AREA REGIONAL TRANSIT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2015

YEAR-TO-YEAR COMPARISON (cont.)

Non-operating revenues increased by 8.29%.

- > Property tax revenue is up 12.4% from increased property tax levies and valuations.
- > New in FY2015 was the state property tax backfill of \$309,013.
- > FY2015 had an increase in miscellaneous income of 138% primarily due to environmental rebates related to facility improvements.

Operating expenses were 2.7% higher than the prior year. Continued service expansion yielded higher direct expenses in transportation as well as staff hours for the agency. An increase in benefits expense, additional technology investments, and growth in the local share of capital expenditures yielded higher expenses than FY2014.

Fixed Route had a 4.4% increase of \$940,808 in operating expense:

- > Total miles operated for Fixed Route increased 6.83% from FY2014.
- > Information Technology increased by \$540,716. Transportation increased by \$345,603. These two segments were the primary drivers of the overall increase in expenses.

Paratransit operating expenses decreased 4.39%, or \$124,193 from FY2014.

- > Total miles operated decreased 6.4%. This is in correlation with a decrease in total operating revenues by 2.9%.
- > Operating expense savings for the Paratransit division were seen in the wages, payroll related taxes, fuel and lubricants, maintenance, and other miscellaneous expenses. Wages were reduced by 4.8% and maintenance expenses were down by 31.6%.
- > Paratransit did see an increase in Employee benefits (30.5%), Insurance (300%), and Contracted cab services (11.5%) over FY2014.

Rideshare reduced expenses by 18% or \$144,782, over the prior year.

- > Fuel and lubricants decreased by 14.8%, largely due to the fluctuations of fuel prices as well as a decreased ridership.
- > Maintenance and Repairs decreased \$85,141, or 51% over the prior year. This was a result of a decrease in accidents as well as the retirement and replacement of the fully retired vehicles.
- > Wages and benefits for the division decreased by 14% over FY2014.

BUDGETARY HIGHLIGHTS

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

- > Fixed Route
 - Operating revenue was 8.4% under budget.
 - Cash fares and Advertising income were two categories driving the lower than budget performance.
 - In contrast, Unlimited Access, Other contracted services, and School funding outperformed the FY2015 forecast.
 - Non-operating revenues were 1.79% over budget.
 - Operating expenses were 3.11% 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, 2015

BUDGETARY HIGHLIGHTS (cont.)

- > Paratransit
 - Operating revenue as a whole was 9.39% below budget. The primary driving being a reduction in the number of contracted trips projected due to agency funding constraints.
 - Cash fares offset a portion the lower Operating revenue levels coming in at 35.11% above forecast.
 - Operating expenses were 13.7% under budget. Salaries, wages, and fringes, Equipment repair parts as well as Fuel and lubricants contributed to the division savings.

- > Rideshare
 - Total operating revenue was 18.69% below budget.
 - Operating expenses were 25.19% below budget due to savings in budgeted salaries, wages and fringes, fuel and vehicle maintenance, and equipment repair parts.

CAPITAL ASSET AND DEBT ADMINISTRATION

As of June 30, 2015 DART has invested \$50,774,550 in capital assets, net of depreciation. This amount is an increase of \$1,741,932 from the year prior.

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

	2015	2014	2013
Land	\$ 1,430,823	\$ 1,430,823	\$ 1,430,823
Construction in progress	2,353,652	1,170,423	4,359,832
Building and improvements	25,236,497	24,854,595	25,742,671
Revenue vehicles and equipment	17,435,485	16,004,149	18,952,011
Equipment	4,318,093	5,572,628	3,549,332
TOTALS	\$ 50,774,550	\$ 49,032,618	\$ 54,034,669

- > Capital Assets net of depreciation increased by \$1,741,932. Major purchases were approximately:

- Building, net of transfers	\$	1,619,928
- Revenue Equipment, net of transfers		3,084,309
- Paratransit vehicles		786,190
- Shop, Garage, and other equipment, net of transfers		261,109
- Computer equipment, net of transfers		48,812
- Communications equipment, net of transfers		179,938
- Rideshare Vehicles		783,226
- Construction in Progress, net of transfers		1,183,229

See independent auditors' report.

DES MOINES AREA REGIONAL TRANSIT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2015

CAPITAL ASSET AND DEBT ADMINISTRATION (cont.)

- > Construction in Progress increased by 1,183,229 over FY2014. The net addition is primarily attributed to facility construction projects, Farebox replacement project, 1 articulated 60 foot Fixed Route bus, and 7 Rideshare vehicles.
- > Disposals totaling \$3,753,241 were primarily made from buildings, revenue equipment, Paratransit vehicles, and Rideshare vehicles. Disposals are related primarily to the disposition of fully depreciated capital assets that are no longer owned by DART.
- > DART has a fixed-route fleet of 116 revenue vehicles, On Call has 13 revenue vehicles, Paratransit has a fleet of 23 revenue vehicles and Rideshare has a fleet of 117 revenue vehicles.

Debt Administration

- > DART concluded its (12) year lease agreement for 16 buses and 21 radios with Bankers Trust in FY2015.
- > 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 \$133,500 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. Beginning in fiscal year 2016, DART will move towards a risk pool structure for liability claims.

Post-retirement Obligations totaled \$183,450 at June 30, 2015. GASB 45 requires an actuarial study to determine the reserve for a three year period. A new study was completed for FY15 which will satisfy requirements through FY17. 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, 2015

OTHER CURRENTLY KNOWN FACTS, DECISIONS OR CONDITIONS

The DART Commission approved a balanced budget for FY2016 in the amount of \$30,088,910

FY2015 was the third 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 FY2016 adopted budget includes funding to review and update the DART Forward 2035 plan.

DART continues to focus on building a safety culture at all levels of the organization. Beginning in FY2016, DART will move from being self-insured to a risk sharing pool through Iowa Communities Assurance Pool (ICAP).

Implementation of the Affordable Care Act is occurring in FY2016. Planning and implementation continues to unfold as guidance is released.

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, 2015 and 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 9,397,558	\$ 7,805,578
Accounts Receivable		
Trade (net)	372,230	665,419
Grant funds	994,538	1,643,155
Other	21,211	14,998
Property Taxes Receivable		
Succeeding year	15,227,910	13,511,572
Delinquent	152,525	176,124
Inventory	746,890	759,852
Prepaid expenses	56,670	553,402
Total Current Assets	<u>26,969,532</u>	<u>25,130,100</u>
NONCURRENT ASSETS		
Capital Assets		
Plant in service	93,788,736	90,778,465
Construction work in progress	2,353,652	1,170,423
Less: Accumulated depreciation and amortization	<u>(45,367,838)</u>	<u>(42,916,270)</u>
Total Noncurrent Assets	<u>50,774,550</u>	<u>49,032,618</u>
Total Assets	<u>77,744,082</u>	<u>74,162,718</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension deferred outflows of resources	<u>2,059,675</u>	<u>-</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>79,803,757</u>	<u>74,162,718</u>

	<u>2015</u>	<u>2014</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 1,551,760	\$ 1,567,131
Construction contract retainages payable	26,775	19,244
Accrued payroll and benefits	692,844	872,320
Unearned revenue	70,515	69,631
Accrued self insurance claims	133,500	115,000
Current obligations of capital leases	-	70,901
Current portion of general obligation bonds payable	<u>350,000</u>	<u>340,000</u>
Total Current Liabilities	<u>2,825,394</u>	<u>3,054,227</u>
NONCURRENT LIABILITIES		
Pension liability	7,082,878	-
Post retirement benefits payable	183,450	206,218
General obligation bonds payable, less current portion	<u>1,515,000</u>	<u>1,848,977</u>
Total Noncurrent Liabilities	<u>8,781,328</u>	<u>2,055,195</u>
 Total Liabilities	 <u>11,606,722</u>	 <u>5,109,422</u>
DEFERRED INFLOWS OF RESOURCES		
Pension deferred inflows of resources	2,701,206	-
Deferred capital revenues	233,757	-
Succeeding year property taxes	<u>15,227,910</u>	<u>13,511,572</u>
Total Deferred Inflows of Resources	<u>18,162,873</u>	<u>13,511,572</u>
NET POSITION		
NET POSITION		
Net investment in capital assets	50,774,550	48,961,717
Unrestricted	<u>(740,388)</u>	<u>6,580,007</u>
 TOTAL NET POSITION	 <u>\$ 50,034,162</u>	 <u>\$ 55,541,724</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	 <u>\$ 79,803,757</u>	 <u>\$ 74,162,718</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, 2015 and 2014

	2015				2014
	Fixed Route	Paratransit	Rideshare	Total	Total
OPERATING REVENUES	\$ 4,541,178	\$ 1,893,787	\$ 836,072	\$ 7,271,037	\$ 7,350,334
OPERATING EXPENSES (EXCEPT DEPRECIATION AND AMORTIZATION)	<u>22,112,502</u>	<u>2,704,117</u>	<u>657,173</u>	<u>25,473,792</u>	<u>24,801,959</u>
Operating income (loss) before depreciation and amortization	(17,571,324)	(810,330)	178,899	(18,202,755)	(17,451,625)
DEPRECIATION AND AMORTIZATION	<u>5,347,322</u>	<u>384,824</u>	<u>472,663</u>	<u>6,204,809</u>	<u>6,387,020</u>
Operating loss including depreciation and amortization	<u>(22,918,646)</u>	<u>(1,195,154)</u>	<u>(293,764)</u>	<u>(24,407,564)</u>	<u>(23,838,645)</u>
NONOPERATING REVENUE (EXPENSE)					
Government operating assistance					
Member municipalities	680,000	-	-	680,000	680,000
Property tax	12,750,381	761,190	-	13,511,571	12,025,395
State property tax relief	309,013	-	-	309,013	-
ADA subsidy	-	375,000	-	375,000	375,000
FTA operating assistance	3,567,361	13,959	-	3,581,320	3,943,460
IDOT operating assistance	1,352,197	-	-	1,352,197	1,180,419
IDOT special projects	60,968	-	-	60,968	50,919
FTA grant income	706,302	162,691	-	868,993	954,341
Gain on disposition of capital assets	28,076	15,020	18,925	62,021	106,964
Interest income	2,802	-	-	2,802	2,609
Miscellaneous income	78,277	-	3,518	81,795	34,321
Interest expense	<u>(76,922)</u>	<u>-</u>	<u>-</u>	<u>(76,922)</u>	<u>(137,515)</u>
Total Nonoperating Revenue	<u>19,458,455</u>	<u>1,327,860</u>	<u>22,443</u>	<u>20,808,758</u>	<u>19,215,913</u>
Net Loss Before Capital Contributions	<u>\$ (3,460,191)</u>	<u>\$ 132,706</u>	<u>\$ (271,321)</u>	(3,598,806)	(4,622,732)
CAPITAL CONTRIBUTIONS				<u>6,244,900</u>	<u>1,051,475</u>
Change in net position				2,646,094	(3,571,257)
NET POSITION, Beginning of Year				55,541,724	59,112,981
Cumulative effect of a change in accounting principle				<u>(8,153,656)</u>	<u>-</u>
NET POSITION, END OF YEAR				<u>\$ 50,034,162</u>	<u>\$ 55,541,724</u>

See accompanying notes to financial statements.

DES MOINES AREA REGIONAL TRANSIT AUTHORITY

STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from direct transit fares	\$ 3,510,894	\$ 3,601,299
Cash received contracted service sales and miscellaneous income	4,129,798	3,590,404
Cash paid to suppliers for goods and services	(13,973,957)	(14,505,867)
Cash paid to employees for services	<u>(12,286,248)</u>	<u>(11,196,518)</u>
Net Cash Flows From Operating Activities	<u>(18,619,513)</u>	<u>(18,510,682)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating subsidies received from:		
Federal Transit Administration	5,351,749	4,007,797
State of Iowa	1,236,384	1,106,560
ADA Subsidy	375,000	375,000
Principal payments on general obligation bonds	(340,000)	(330,000)
Interest paid on general obligation bonds	(59,252)	(64,530)
Property taxes received and municipal assistance	<u>14,524,183</u>	<u>12,616,230</u>
Net Cash Flows From Noncapital Financing Activities	<u>21,088,064</u>	<u>17,711,057</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	<u>2,802</u>	<u>2,609</u>
Net Cash Flows From Investing Activities	<u>2,802</u>	<u>2,609</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Federal, state and municipal funds received for capital expenditures	6,168,862	4,415,534
Proceeds on disposition of capital assets	195,778	111,823
Principal payments on capital lease	(70,901)	(137,054)
Interest paid on capital lease	(1,649)	(8,044)
Acquisition and construction of capital assets	(7,271,463)	(1,750,235)
Deferred capital revenues received	<u>233,757</u>	<u>-</u>
Net Cash Flows From Capital and Related Financing Activities	<u>(745,616)</u>	<u>2,632,024</u>
Net Increase in Cash and Cash Equivalents	1,725,737	1,835,008
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>7,805,578</u>	<u>5,970,570</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 9,531,315</u>	<u>\$ 7,805,578</u>

	<u>2015</u>	<u>2014</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Loss from operations	\$ (24,407,564)	\$ (23,838,645)
Adjustments to reconcile operating loss to net cash used in operating activities		
Nonoperating income	81,795	34,321
Noncash items included in operating income:		
Depreciation and amortization expense	6,204,809	6,387,020
Changes in assets and liabilities:		
Accounts receivable - trade	293,189	(175,524)
Accounts receivable - other	(6,213)	(3,329)
Inventory	12,962	25,949
Prepaid expenses	496,732	(316,675)
Accounts payable	(683,116)	(557,137)
Accrued payroll liabilities	(179,476)	(48,728)
Unearned revenues	884	(14,099)
Pension related deferrals and liabilities	(429,247)	-
Accrued self insurance claims	18,500	10,000
Post retirement benefits payable	(22,768)	(13,835)
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (18,619,513)</u>	<u>\$ (18,510,682)</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, 2015 and 2014

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; 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 or economic asset is used, regardless of the timing of related cash flows. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place

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, 2015 and 2014

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

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (cont.)

GASB issued Statement No. 68 – *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date- an amendment of GASB Statement No. 68*, in June 2012 and November 2013, respectively. These statements establish accounting and financial reporting standards for the accounting and reporting of the Authority's cost-sharing multiple-employer defined benefit pension plan. This statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employer*. The Authority adopted these statements effective July 1, 2014. The cumulative impact of implementation is shown in Note 10.

ASSETS, DEFERRED OUTFLOWS OF RESOURCES, 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 present. Allowance of \$30,600 and \$31,127 are included for fiscal year 2015 and 2014 respectively 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, 2015 and 2014 and unpaid taxes.

Inventories

Inventories of fuel are valued at the lower of cost or market utilizing the first-in, first-out method and charged to expense when used. Inventories of parts and supplies are valued at the lower of cost or market utilizing the average cost method and charged to construction or expense when used.

DES MOINES AREA REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2015 and 2014

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

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

Prepaid Expenses

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

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 and, an estimated useful life in excess of one year. 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

Deferred Outflows of Resources

A deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until that time. Pension deferred outflows relate to the GASB Statement No. 68 pension liability. Details of the account are included in Note 6.

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, 2015 and 2014.

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, 2015 and 2014

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

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

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.

Long-Term Obligations

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

Pension Liability

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary plan net position of the Iowa Public Employees' Retirement System and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. See Note 6 for additional information.

Other Post-Employment Benefits

The Authority provides postemployment health and dental insurance benefits to all qualified active employees, retirees, and their eligible spouses and dependents. The benefits are based on contractual agreements with employees who have been employed since 1986 within the ATU union.

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. Pension deferred inflows relate to the GASB Statement No. 68 pension liability. Details of the account are included in Note 6. Deferred capital revenues relate to resources received prior to their use to acquire paratransit capital assets.

DES MOINES AREA REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2015 and 2014

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

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

Deferred Capital Revenue

The Authority also has received assets in advance for future use to purchase other capital assets as shown under the deferred inflows of resources.

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 any 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.

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, local, 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.

BUDGETS AND BUDGETARY ACCOUNTING

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, disbursements did not exceed the amount budgeted.

DES MOINES AREA REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2015 and 2014

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

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. 72, *Fair Value Measurement and Application*, Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. When they become effective, application of these standards may restate portions of these financial statements.

COMPARATIVE DATA

Certain amounts presented in the prior year data may have been reclassified in order to be consistent with the current year's presentation.

NOTE 2 – CASH AND CASH EQUIVALENTS

The Authority's deposits in banks at June 30, 2015 and 2014 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, 2015 and 2014

NOTE 3 – CAPITAL ASSETS

Capital assets activity for fiscal year 2015 and 2014 consists of the following:

	July 1, 2014	Additions	Deletions	Transfers	June 30, 2015
Capital assets not being depreciated					
Land	\$ 1,430,823	\$ -	\$ -	\$ -	\$ 1,430,823
Construction in progress	1,170,423	2,020,290	-	(837,061)	2,353,652
Total Capital Assets Not Being Depreciated	2,601,246	2,020,290	-	(837,061)	3,784,475
Capital assets being depreciated/amortized					
Buildings	32,952,965	1,071,986	351,615	547,942	34,221,278
Revenue equipment	37,313,641	2,558,805	1,469,885	-	38,402,561
On call revenue equipment	492,778	525,504	-	-	1,018,282
Fare collection equipment	1,214,757	-	-	-	1,214,757
Service cars and trucks	480,249	29,604	91,152	89,263	507,964
Shop and garage equipment	763,348	46,746	71,329	-	738,765
Furniture and office equipment	692,942	4,028	12,062	-	684,908
Computer equipment and software	3,984,060	48,812	-	-	4,032,872
Miscellaneous equipment	730,528	84,284	27,684	7,184	794,312
Communication equipment	4,751,467	179,938	28,479	-	4,902,926
Paratransit vehicles	3,123,725	786,190	1,189,995	-	2,719,920
Rideshare vehicles	2,847,182	590,554	511,040	192,672	3,119,368
Total Capital Assets Being Depreciated/Amortized	89,347,642	5,926,451	3,753,241	837,061	92,357,913
Less: Accumulated depreciation and amortization					
Buildings	8,098,370	1,238,026	351,615	-	8,984,781
Revenue equipment	23,242,112	2,208,523	1,469,885	-	23,980,750
On call revenue equipment	385,738	93,003	-	-	478,741
Fare collection equipment	1,078,067	31,615	-	-	1,109,682
Service cars and trucks	453,478	22,796	91,152	-	385,122
Shop and garage equipment	440,298	96,647	71,329	-	465,616
Furniture and office equipment	196,471	126,149	12,062	-	310,558
Computer equipment and software	2,955,646	404,724	-	-	3,360,370
Miscellaneous equipment	432,730	97,479	27,684	-	502,525
Communication equipment	1,351,343	996,599	28,479	-	2,319,463
Paratransit vehicles	2,160,797	416,585	1,189,995	-	1,387,387
Rideshare vehicles	2,121,220	472,663	511,040	-	2,082,843
Total Accumulated Depreciation and Amortization	42,916,270	6,204,809	3,753,241	-	45,367,838
Total Capital Assets Being Depreciated/Amortized, Net	46,431,372	(278,358)	-	837,061	46,990,075
Net Capital Assets	\$ 49,032,618	\$ 1,741,932	\$ -	\$ -	\$ 50,774,550

DES MOINES AREA REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2015 and 2014

NOTE 3 – CAPITAL ASSETS (cont.)

	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

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, 2015 and 2014

NOTE 3 – CAPITAL ASSETS (cont.)

At June 30, 2015, construction in progress consists of various projects, including fare boxes totaling \$709,519; remanufactured buses totaling \$401,318; a hoist project in the amount of \$377,919; 1100 Dart Way rehab totaling \$243,530; and other minor projects totaling \$621,366.

At June 30, 2014, construction in progress consisted 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.

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. As of June 30, 2015, the Authority has satisfied its obligations under the lease and therefore has a \$0 balance of future minimum lease payments.

The revenue equipment acquired includes transportation vehicles with a historical cost of \$4,421,419 and accumulated amortization of \$4,421,419 and \$4,214,165 at June 30, 2015 and 2014, respectively. Amortization expense for these assets totaled \$207,254 and \$368,452 for the years ended June 30, 2015 and 2014.

The liability under this lease at June 30, 2015 and 2014 was \$0 and \$70,901, respectively. The obligation was due in semiannual installments of \$72,549 through November, 2014. The interest rate of the lease was 4.55%

A summary of changes in the capital lease during fiscal year 2015 was as follows:

	<u>July 1, 2014</u>	<u>Additions</u>	<u>Payments</u>	<u>June 30, 2015</u>	<u>Due Within One Year</u>
Capital lease	\$ 70,901	\$ -	\$ 70,901	\$ -	\$ -

A summary of changes in capital leases during fiscal year 2014 were 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

DES MOINES AREA REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2015 and 2014

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, 2015:

	<u>Balance</u> <u>June 30, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2015</u>	<u>Due Within</u> <u>One Year</u>
General obligation bonds	\$ 2,188,977 ⁽¹⁾	\$ -	\$ 323,977 ⁽¹⁾	\$ 1,865,000	\$ 350,000

(1) Bonds were sold at a discount; unamortized discount at June 30, 2015 totaled \$0. The bond discount was written off in entirety during 2015.

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

	<u>Balance</u> <u>June 30, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Due Within</u> <u>One Year</u>
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.

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	<u>\$ 1,865,000</u>	<u>\$ 167,070</u>	<u>\$ 2,032,070</u>

DES MOINES AREA REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2015 and 2014

NOTE 6 – PENSION AND RETIREMENT BENEFITS

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (IPERS)

The Authority implemented GASB No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, effective July 1, 2014. The cumulative effect of the change in net position due to the change in accounting standard is shown as a change in beginning net position for 2015. The prior year balances for deferred outflows of resources and the net pension liability were not restated due to the measurement date used for the calculation of the balances and the timing of information received by IPERS. For this reason, prior year pension footnote disclosures are included under GASB No. 27.

PLAN DESCRIPTION - Employees of the Authority are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

BENEFITS PROVIDED - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- > A multiplier (based on years of service).
- > The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

DES MOINES AREA REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2015 and 2014

NOTE 6 – PENSION AND RETIREMENT BENEFITS (cont.)

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (IPERS) (cont.)

DISABILITY AND DEATH BENEFITS - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

CONTRIBUTIONS - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the Authority contributed 8.93 percent for a total rate of 14.88 percent.

- > The Authority's contribution to IPERS for the years ended June 30, 2015, 2014 and 2013, were \$1,093,913, \$1,048,158, and \$910,823 respectively, equal to the required contributions for each year.

NET PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS - At June 30, 2015, the Authority reported a liability of \$7,082,878 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on the Authority's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the Authority's collective proportion was .175012 percent which was an increase of .012574 percent from its proportion measured as of June 30, 2013.

DES MOINES AREA REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2015 and 2014

NOTE 6 – PENSION AND RETIREMENT BENEFITS (cont.)

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (IPERS) (cont.)

For the year ended June 30, 2015, 2014, and 2013 the Authority recognized pension expense of \$664,666, \$1,048,158, and \$910,823, respectively. At June 30, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 76,977	\$ -
Changes of assumptions	312,583	-
Net difference between projected and actual earnings on pension plan investments	-	2,701,206
Changes in proportion and differences between Authority contributions and proportionate share of contributions	576,202	-
Authority contributions subsequent to the measurement date	1,093,913	-
Total	\$ 2,059,675	\$ 2,701,206

\$1,093,913 was reported as deferred outflows of resources related to pensions resulting from the Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Year Ended June 30:		
2016	\$ 225,645	\$ (675,302)
2017	225,645	(675,302)
2018	225,645	(675,301)
2019	225,645	(675,301)
2020	63,182	-
Thereafter	-	-
Total	\$ 965,762	\$ (2,701,206)

There were no non-employer contributing entities at IPERS.

DES MOINES AREA REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2015 and 2014

NOTE 6 – PENSION AND RETIREMENT BENEFITS (cont.)

IOWA PUBLIC EMPLOYEES’ RETIREMENT SYSTEM (IPERS) (cont.)

ACTUARIAL ASSUMPTIONS - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

- > Inflation (effective June 30, 2014): 3% per annum
- > Salary Increase (effective June 30, 2014): 4% to 17% on average including inflation. Rates vary by membership group.
- > Long-term investment rate of return (effective June 30, 1996): 7.50 percent, compounded annually, net of investment expense, including inflation.
- > The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.
- > Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.
- > The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
US Equity	23%	6.31
Non US Equity	15%	6.76
Private Equity	13%	11.34
Real Estate	8%	3.52
Core Plus Fixed income	28%	2.06
Credit Opportunities	5%	3.67
TIPS	5%	1.92
Other Real Assets	2%	6.27
Cash	1%	(0.69)
Total	100%	

DES MOINES AREA REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2015 and 2014

NOTE 6 – PENSION AND RETIREMENT BENEFITS (cont.)

IOWA PUBLIC EMPLOYEES’ RETIREMENT SYSTEM (IPERS) (cont.)

DISCOUNT RATE - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the Authority will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

SENSITIVITY OF THE AUTHORITY’S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY TO CHANGES IN THE DISCOUNT RATE - The following presents the Authority’s proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Authority’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
Authority's proportionate share of the net pension liability	\$ 13,382,900	\$ 7,082,878	\$ 1,765,008

PENSION PLAN FIDUCIARY NET POSITION - Detailed information about the pension plan’s fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS’ website at www.ipers.org.

PAYABLES TO THE PENSION PLAN - At June 30, 2015, the Authority reported payables to the defined benefit pension plan of \$84,959 for legally required employer contributions and \$73,623 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

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, 2015 and 2014 was \$57,991 and \$62,366, respectively.

DES MOINES AREA REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2015 and 2014

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 five retired members within the plan and five 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. Currently there is one non-active member receiving this benefit.

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 retiree 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 2015, total contributions to the plan were \$28,045 the Authority contributed \$24,119 and the collective retirees paid \$3,926. For fiscal year 2014, the total contributions to the plan were \$18,639. The Authority contributed \$14,889 and the collective retirees paid \$3,750.

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.

	2015	2014
Annual required contribution	\$ 7,917	\$ 5,704
Interest on net OPEB obligation	8,566	9,031
Adjustment to annual required contribution	(17,834)	(13,681)
Annual OPEB Cost (Expense)	1,351	1,054
Contributions and payments made	24,119	14,889
Decrease in net OPEB obligation	22,768	13,835
Net OPEB obligation, July 1	206,218	220,053
Net OPEB obligation, June 30	\$ 183,450	\$ 206,218

DES MOINES AREA REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2015 and 2014

NOTE 8 – POST EMPLOYMENT BENEFITS (cont.)

ANNUAL OPEB COST AND NET OPEB OBLIGATION (cont.)

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2015 follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2015	\$ 1,351	1785.3%	\$ 183,450
June 30, 2014	1,054	1412.6%	206,218
June 30, 2013	1,666	1018.7%	220,053

FUNDED STATUS AND FUNDING PROGRESS

As of July 1, 2014, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$91,551 and the actuarial value of assets is zero resulting in an unfunded actuarial accrued liability (UAAL) of \$91,551. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$307,157, and the ratio of the UAAL to the covered payroll was 29.8%. As of June 30, 2015 and 2014, 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.

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, 2014 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 6.5 percent reduced by decrements of .50 percent annually to an ultimate rate of 4.5 percent for medical costs. The UAAL is being amortized as a closed level dollar. The amortization of UAAL is done over a period of 15 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.

DES MOINES AREA REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2015 and 2014

NOTE 8 – POST EMPLOYMENT BENEFITS (cont.)

ACTUARIAL METHODS AND ASSUMPTIONS (cont.)

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 a closed basis over a period of 15 years.

There are no audited financial statements for this plan.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

OPEN CONTRACTS

The Authority has open contracts for approximately \$8,227,605 for various capital projects including a farebox system, construction contracts and engineering. As of June 30, 2015, approximately \$317,173 has been expended.

NOTE 10 – RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance 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, 2015 and 2014, the Authority had established a reserve of \$1,762 and \$1,322, respectively, for claims which are 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, 2015 and 2014, the Authority had established reserves of \$133,500 and \$115,000 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, 2015 and 2014

NOTE 10 – RISK MANAGEMENT (cont.)

The following is a summary of claims paid and liabilities recorded for the years ended June 30, 2015 and 2014:

	2015	
	Dental	General Liability
Accrued claims at beginning of year	\$ 1,322	\$ 115,000
Claims paid	(82,712)	(10,840)
Claims incurred and changes in reserve	83,152	29,340
Accrued Claims at End of Year	\$ 1,762	\$ 133,500
	2014	
	Dental	General Liability
Accrued claims at beginning of year	\$ 66,592	\$ 105,000
Claims paid	(74,850)	(276,570)
Claims incurred and changes in reserve	9,580	286,570
Accrued Claims at End of Year	\$ 1,322	\$ 115,000

NOTE 11 – CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE

GASB No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27* was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Beginning net position was restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

Net position July 1, 2014, as previously reported	\$ 55,541,724
Net pension liability at July 1, 2014	(9,197,255)
Change in outflows of resources related to contributions made after the July 1, 2014 measurement date	1,043,599
Net Position July 1, 2014, as Restated	\$ 47,388,068

DES MOINES AREA REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2015 and 2014

NOTE 12 – SUBSEQUENT EVENT

In fiscal 2016, prior to the issuance of this report, the Authority has approved entering into a lease agreement for 20 heavy duty fixed route buses. The terms of the lease are \$9,050,000 payable over 12 years.

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, 2015

	Actual	Adjustment to Budget Basis	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
REVENUES	\$ 34,401,617	\$ (6,244,900)	\$ 28,156,717	\$ 28,530,479	\$ 28,530,479	\$ (373,762)
EXPENSES	<u>31,755,523</u>	<u>(6,204,809)</u>	<u>25,550,714</u>	<u>28,530,479</u>	<u>28,530,479</u>	<u>(2,979,765)</u>
Excess of revenues over expenses	<u>\$ 2,646,094</u>	<u>\$ (40,091)</u>	<u>\$ 2,606,003</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,606,003</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, 2015

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 depreciation expense and capital contributions are *not included in operating expenditures and operating revenues on budget basis*. During the year ended June 30, 2015, 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, 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%
June 30, 2015	July 1, 2014	-	91,551	91,551	0.0%	307,157	29.8%

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.

DES MOINES AREA REGIONAL TRANSIT AUTHORITY

**SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM LAST FISCAL YEAR
REQUIRED SUPPLEMENTARY INFORMATION
As of and for the Year Ended June 30, 2015**

	<u>2015</u>
Authority's proportion of the net pension liability	0.175012%
Authority's proportionate share of the net pension liability	\$ 7,082,878
Authority's covered-employee payroll	12,345,418
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	57.37%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

*The amounts presented for each fiscal year were determined as of June 30.

NOTE: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Authority will present information for those years for which information is available.

DES MOINES AREA REGIONAL TRANSIT AUTHORITY

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY As of and for the Year Ended June 30, 2015

CHANGES OF BENEFIT TERMS

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

CHANGES OF ASSUMPTIONS

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- > Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- > Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- > Adjusted male mortality rates for retirees in the Regular membership group.
- > Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- > Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- > Adjusted retiree mortality assumptions.
- > Modified retirement rates to reflect fewer retirements.
- > Lowered disability rates at most ages.
- > Lowered employment termination rates.
- > Generally increased the probability of terminating members receiving a deferred retirement benefit.
- > Modified salary increase assumptions based on various service duration.

DES MOINES AREA REGIONAL TRANSIT AUTHORITY

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY As of and for the Year Ended June 30, 2015

CHANGES OF ASSUMPTIONS (cont.)

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- > Adjusted salary increase assumptions to service based assumptions.
- > Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- > Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- > Lowered disability rates for sheriffs and deputies and protection occupation members.

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, 2015 and 2014

	2015	2014
OPERATING REVENUES		
Passenger fares	\$ 2,558,555	\$ 2,600,323
Contracted service	1,865,751	1,761,932
Advertising income	116,872	118,363
Total Operating Revenues	4,541,178	4,480,618
OPERATING EXPENSES		
Transportation	7,862,437	7,516,834
Vehicle maintenance and fuel	6,252,237	6,489,571
Insurance	566,576	829,138
General and administration	792,172	804,373
Accounting	669,136	564,640
Information technology	1,656,014	1,115,298
Planning	484,539	440,118
Personnel	459,903	342,536
Customer service	481,701	447,352
Marketing and communications	504,300	469,380
Building and grounds	1,380,171	1,307,963
Service management	784,569	739,152
Training	105,741	104,208
On-call service	193,563	130,998
Purchasing and inventory	303,611	253,401
Overhead allocations	(384,168)	(383,268)
Operating Expenses Except Depreciation	22,112,502	21,171,694
Operating loss before depreciation	(17,571,324)	(16,691,076)
DEPRECIATION AND AMORTIZATION	5,347,322	5,608,014
Operating loss including depreciation and amortization	(22,918,646)	(22,299,090)
OTHER INCOME (EXPENSE)		
Government operating assistance		
Member municipalities	680,000	680,000
Property tax	12,750,381	11,765,395
State property tax relief	309,013	-
FTA operating assistance	3,567,361	3,890,592
IDOT operating assistance	1,352,197	1,144,288
IDOT special projects	60,968	50,919
FTA grant income	706,302	805,806
Gain on disposition of fixed assets	28,076	25,138
Interest income	2,802	2,609
Miscellaneous income	78,277	31,548
Interest expense	(76,922)	(137,515)
Total Other Income	19,458,455	18,258,780
NET LOSS AFTER OTHER INCOME	\$ (3,460,191)	\$ (4,040,310)

DES MOINES AREA REGIONAL TRANSIT AUTHORITY

SCHEDULES OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION — PARATRANSIT DIVISION
For the Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
OPERATING REVENUES		
Service income	\$ 1,772,191	\$ 1,851,312
Passenger fares	<u>121,596</u>	<u>98,137</u>
Total Operating Revenues	<u>1,893,787</u>	<u>1,949,449</u>
OPERATING EXPENSES		
Wages	1,178,212	1,238,248
Employee benefits	265,842	203,738
Payroll taxes	198,921	244,637
Insurance	26,663	6,663
Fuel and lubricants	340,210	359,075
Maintenance and repairs	174,586	255,084
Contracted services, cabs	209,130	187,521
Other	7,435	30,884
Overhead allocations	<u>303,118</u>	<u>302,460</u>
Total Operating Expenses	<u>2,704,117</u>	<u>2,828,310</u>
Operating loss before depreciation	(810,330)	(878,861)
DEPRECIATION	<u>384,824</u>	<u>345,086</u>
Operating loss including depreciation	<u>(1,195,154)</u>	<u>(1,223,947)</u>
OTHER INCOME		
Government operating assistance		
Property taxes	761,190	260,000
ADA subsidy	375,000	375,000
FTA operating assistance	13,959	52,868
IDOT operating assistance	-	36,131
FTA grant income	162,691	148,535
Gain on disposition of fixed assets	<u>15,020</u>	<u>10,832</u>
Total Other Income	<u>1,327,860</u>	<u>883,366</u>
NET LOSS AFTER OTHER INCOME	<u>\$ 132,706</u>	<u>\$ (340,581)</u>

DES MOINES AREA REGIONAL TRANSIT AUTHORITY

SCHEDULES OF REVENUES, EXPENSES AND CHANGES IN NET POSITION — RIDESHARE DIVISION For the Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
OPERATING REVENUES		
Passenger fares	\$ 836,072	\$ 920,267
OPERATING EXPENSES		
Wages and benefits	113,727	132,108
Service contracts	7,305	7,829
Administrative miscellaneous	1,560	2,143
Promotional events	5,816	5,402
Insurance	31,664	31,664
Maintenance and repairs	81,049	166,190
Fuels and lubricants	299,538	351,369
Drug screening	4,280	3,381
Miscellaneous	31,184	21,061
Overhead allocation	81,050	80,808
Total Operating Expenses	<u>657,173</u>	<u>801,955</u>
Operating income before depreciation	178,899	118,312
DEPRECIATION	<u>472,663</u>	<u>433,920</u>
Operating loss including depreciation	<u>(293,764)</u>	<u>(315,608)</u>
OTHER INCOME		
Gain on disposition of fixed assets	18,925	70,994
Miscellaneous income	3,518	2,773
Total Other Income	<u>22,443</u>	<u>73,767</u>
NET LOSS AFTER OTHER INCOME	<u>\$ (271,321)</u>	<u>\$ (241,841)</u>

DES MOINES AREA REGIONAL TRANSIT AUTHORITY

STATE OF IOWA REQUIRED STATUTORY REPORTING As of and for the Year Ended June 30, 2015

- 2015-A Certified Budget – Disbursements during the year ended June 30, 2015 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.”
- 2015-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.
- 2015-C Travel Expense – No disbursements of the Authority money for travel expenses of spouses of Authority officials or employees were noted.
- 2015-D Business Transactions – No business transactions between the Authority and Authority officials or employees were noted.
- 2015-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.
- 2015-F Commission Minutes – No transactions were found that we believe should have been approved in the Commission minutes but were not.
- 2015-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, 2015, 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 November 30, 2015.

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 *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. 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. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness. This material weakness is item 2015-001.

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, 2015 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 Vickow Krause, LLP

Madison, Wisconsin
November 30, 2015

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 Each 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, 2015. Des Moines Area Regional Transit Authority's major federal programs are 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Des Moines Area Regional Transit Authority's major federal programs 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 each 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 Each 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 programs for the year ended June 30, 2015.

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 compliance 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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each 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.

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, 2015 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 November 30, 2015, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion 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 Voichow Krause, LLP

Madison, Wisconsin
November 30, 2015

DES MOINES AREA REGIONAL TRANSIT AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2015

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				
Federal Transit Formula Grants		20.507	IA-90-X352-01	\$ 107,680
Federal Transit Formula Grants		20.507	IA-90-X365-01	50,269
Federal Transit Formula Grants		20.507	IA-90-X374-02	509,531
Federal Transit Formula Grants		20.507	IA-90-X388-01	572,162
Federal Transit Formula Grants		20.507	IA-90-X401-00	679,407
Federal Transit Formula Grants	IDOT*	20.507	95-X014-194-14	39,867
Federal Transit Formula Grants	IDOT*	20.507	95-X014-194-15	295,395
Federal Transit Formula Grants		20.507	IA-90-X413-00	3,960,374
Federal Transit Formula Grants		20.507	IA-95-X012-00	509,794
Federal Transit Formula Grants		20.507	IA-95-X016-00	700,000
Federal Transit Formula Grants		20.507	IA-95-X020-00	900,000
Federal Transit Formula Grants		20.507	IA-95-X022-00	279,990
Total Federal Transit Formula Grants				<u>8,604,469</u>
Federal Transit Capital Investment Grants		20.500	IA-04-0118-00	116,170
Federal Transit Capital Investment Grants		20.500	IA-04-0130-00	305,545
Federal Transit Capital Investment Grants	IDOT*	20.500	04-0129-194-13	1,075
Total Federal Transit Capital Investment Grants				<u>422,790</u>
Bus and Bus Facilities Formula Program		20.526	IA-34-0001-01	649,184
Bus and Bus Facilities Formula Program		20.526	IA-34-0004-00	208,720
Bus and Bus Facilities Formula Program		20.526	IA-34-0005-00	6,035
Total Bus and Bus Facilities Formula Program				<u>863,939</u>
Total Federal Transit Cluster				<u>9,891,198</u>
Formula Grants for Rural Areas	IDOT*	20.509	18-0031-194-15	13,959
Formula Grants for Rural Areas	IDOT*	20.509	18-703X-194-15	10,783
Total Formula Grants for Rural Areas				<u>24,742</u>
Enhanced Mobility of Seniors and Individuals with Disabilities		20.513	IA-16-X003-00	55,563
Enhanced Mobility of Seniors and Individuals with Disabilities		20.513	IA-16-X006-00	310,691
Total Transit Services Programs Cluster				<u>366,254</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u><u>\$ 10,282,194</u></u>

*Iowa Department of Transportation

See accompanying notes to schedule of expenditures of federal awards.

DES MOINES AREA REGIONAL TRANSIT AUTHORITY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended June 30, 2015

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 were two major programs for the year ended June 30, 2015 which include the Federal Transit Cluster and the Transit Services Programs Cluster. The Federal Transit Cluster includes the Federal Transit Capital Investment Grants (CFDA #20.500), the Federal Transit Formula Grants (CFDA #20.507), and the Bus and Bus Facilities Formula Program (CFDA #20.526) 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. The Transit Services Programs Cluster includes the Enhanced Mobility of Seniors and Individuals with Disabilities Grants (CFDA #20.513) awarded by the Federal Transit Administration – U.S. Department of Transportation to the Des Moines Regional Transit Authority for the purpose of providing financial assistance in meeting the transportation needs of seniors and individuals with disabilities where public transportation services are unavailable, insufficient or inappropriate.

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	\$ 6,244,900
FTA operating assistance	3,581,320
FTA grant income	868,993
ADA subsidy	375,000
FTA operating assistance passed through IDOT	10,783
Less: State capital contributions	<u>(798,802)</u>
Total	<u>\$ 10,282,194</u>

DES MOINES AREA REGIONAL TRANSIT AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2015

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

CFDA Numbers

Name of Federal Program or Cluster

20.500
20.507
20.526

Federal Transit Cluster including:
Federal Transit Capital Investment Grants
Federal Transit Formula Grants
Bus and Bus Facilities Formula Program

20.513

Transit Services Programs Cluster including:
Enhanced Mobility of Seniors and Individuals with Disabilities

 Federal

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

 \$ 308,466

DES MOINES AREA REGIONAL TRANSIT AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended June 30, 2015

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

FINDING 2015-001: 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. In addition, for fiscal year 2015 we prepared material journal entries as part of assisting with the implementation of GASB Statement No. 68.

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: The Finance Department plans to continue to provide more involvement in the preparation of the year-end financial statements of cash flows and footnote disclosures. DART continues to invest in training in order for the available staff to gain expertise in relation to annual report preparation.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted

SECTION IV – PRIOR YEAR FINDINGS

Finding 2014-001 Repeated as 2015-001