

CHAMPAIGN-URBANA MASS TRANSIT DISTRICT

Urbana, Illinois

**Financial Statements
and Supplementary Information**

For the Years Ended

June 30, 2017 and 2016

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Champaign-Urbana Mass Transit District
Urbana, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of the Champaign-Urbana Mass Transit District (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

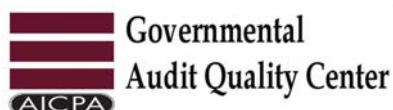
Management's Responsibility for the Financial Statements

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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial



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statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of June 30, 2017, and the changes in its financial position and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Adjustments to Prior Period Financial Statements

The financial statements of the District as of and for the year ended June 30, 2016, were audited by other auditors whose report dated December 1, 2016 expressed an unmodified opinion on those statements. As discussed in Note 20 to the financial statements, the District has adjusted its financial statements as of and for the year ended June 30, 2016 to account for errors noted in our audit of the June 30, 2017 financial statements.

As part of our audit of the June 30, 2017 financial statements, we also audited adjustments described in Note 20 that were applied to restate the June 30, 2016 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the June 30, 2016 financial statements of the District other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the June 30, 2016 financial statements as a whole.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Schedule of Changes in the Net Pension Liability and Related Ratios, Schedule of Employer Contributions, and Notes to the Required Supplementary 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. 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The accompanying Schedule 1 is presented for purposes of additional analysis. The accompanying Schedules 2 through 8 are presented for the purpose of additional analysis as required by the Illinois Department of Transportation. Accompanying Schedules 9 through 11, including the Schedule of Expenditures of Federal Awards – Cash Basis, are presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The information included in Schedules 1 through 11 is not a required part of the basic financial statements.

The schedules are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information related to year ended June 30, 2017 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. Such information for the year ended June 30, 2016 was subjected to auditing procedures applied by other auditors whose report dated December 1, 2016 expressed that such information was fairly stated in all material respects in relation to the basic financial statements as of June 30, 2016 as a whole. In our opinion, including the effects of the restatement of the 2016 information as described above, the information, including the information in the Schedule of Expenditures of Federal Awards – Cash Basis, is fairly stated in all material respects in relation to the basic financial statements as of and for the year ended June 30, 2017 as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2017, on our consideration of the District'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 solely 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 effectiveness of the District's 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 District's internal control over financial reporting and compliance.

Martin, Wood, Fries & Associates, LLC

Champaign, Illinois
November 19, 2017

**CHAMPAIGN-URBANA MASS TRANSIT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017 and 2016**

Management's Discussion and Analysis (MD&A) is an introduction to the basic financial statements and supplementary information of the District. MD&A should be read in conjunction with the basic financial statements, notes to financial statements, and supplementary information. MD&A provides management's perspective on the performance of the District in the current year and its financial condition at year-end.

The District manages the Champaign County Area Rural Transit System (C-CARTS) under an intergovernmental agreement with Champaign County at a net zero cost to the District. This report consolidates the financial activities of the District and C-CARTS. Discussion of C-CARTS operating activities are excluded from the District's MD&A.

Questions concerning any of the information provided in this report or requests for additional information should be addressed to Mr. Karl Gnad, Managing Director, Champaign-Urbana Mass Transit District, 1101 East University Avenue, Urbana, Illinois 61802-2009.

Business Overview

The District employs approximately 350 employees and provides several mobility services including fixed-route buses, direct van service, ADA Paratransit service, a Half-Fare Cab program and a SafeRides program. Fixed routes are those that operate on a set timetable serving specific destinations throughout Champaign, Urbana, Savoy, and the University of Illinois Campus, and are served by 30-foot, 40-foot and 60-foot buses equipped with adjustable wheelchair ramps to aid boarding. ADA Paratransit service is a curb-to-curb transportation service available to persons with disabilities who are unable to use fixed-route services. The Half-Fare Cab Program offers discounted cab rides taken within the MTD boundaries to seniors 65 and older and to riders with disabilities. SafeRides is a program that provides safe transportation to individuals who are generally traveling alone, when no other means of safe transportation are available within designated SafeRides boundaries.

C-CARTS is a demand response transportation system that provides safe, convenient, and reliable curb-to-curb transportation service to the general public in Champaign County within rural areas or between rural and urbanized areas, that lie outside of the Champaign-Urbana Mass Transit District. C-CARTS expenses are 100% funded by state and federal operating grants and fare collections resulting in a net zero cost to the District.

The District focuses on improving mobility in the region, with a particular emphasis on public transit service. Partnering with city and county planners, state and federal agencies, school districts, the University of Illinois and other organizations, MTD serves as a general advocate and participates actively to promote regional mobility improvements and to support land use and developmental patterns for all modes of travel.

Fiscal Year 2017 Highlights

The District's financial condition remained stable and strong, with State of Illinois Operating Assistance funding supporting 65% of all eligible operating expenses.

Fiscal year 2017 closed with annual passenger ridership totaling 12,099,043 riders, a 5.3% decrease over fiscal 2016. The District primarily attributes this drop to the multi-corridor construction project (MCORE) and an increase in on-campus student housing. The District believes the drop is also attributable to lower fuel prices and favorable weather patterns. Despite the overall annual drop in ridership, MTD scheduled 1,386 more ADA trips than scheduled in fiscal year 16.

In April 2017, the District hired a new Chief Operating Officer. Andrew Johnson joins the District with 20 years of experience in public transportation and is the President of the Illinois Public Transportation Association (IPTA). He also sits on the Board of Directors and serves as the Chairman of the Small Operations Committee for the American Public Transportation Association (APTA).

Fiscal Year 2016 Highlights

The District's financial condition remained stable and strong, with State of Illinois Operating Assistance funding supporting 65% of all eligible operating expenses.

Fiscal year 2016 closed with annual passenger ridership totaling 12,770,520 riders, a 5.73% decrease over fiscal 2015. The District primarily attributes this drop to a 6% increase in on-campus student housing, along with lower fuel prices and favorable changes in weather patterns. Despite the overall annual drop in ridership, MTD set a new record by carrying 74,810 riders in a single day.

During the year, the District's retired Managing Director Volk was inducted into the American Public Transportation Association (APTA) Awards Hall of Fame recognizing him as a distinguished professional who has made extraordinary contributions to the public transit industry, MTD's Chief Operating Officer was named to the Top 40 Under 40 list by Mass Transit magazine, and the District received a Silver award as a Bicycle Friendly Business from the League of American Bicyclists.

Using This Annual Report

The basic financial statements are the statement of net position, statement of revenues, expenses, and changes in net position, and the statement of cash flows. These financial statements were prepared using the full accrual accounting method similar to businesses in the private sector.

The statement of net position presents the financial position of the District on a full accrual historical cost basis. The statement of net position provides information on all the assets and liabilities of the District, with the difference between the two being the District's net position. Increases or decreases in net position are one indicator of whether the District's financial position is improving or deteriorating.

The statement of revenues, expenses, and changes in net position provides the performance of the District over its fiscal year, which is the twelve-month period ended June 30. This statement presents the detail of how the net position presented on the statement of net position changed over the fiscal year. All activities that increase or decrease net position are reflected on this statement when they occur rather than when the related cash flow occurs.

The cash flow statement presents the increase or decrease in cash and cash equivalents during the fiscal year resulting from the operating, financing and investing activities of the District. This statement simply presents the increases and decreases in cash and cash equivalents without regard to related revenues/receivables and expenses/liabilities.

The notes to financial statements provide further information on the items reported in the basic financial statements. This information is essential for the reader of this report to acquire a full understanding of the

amounts in the financial statements and other commitments and events not reflected in the financial statements. The supplementary information also provides further detail on operating expenses and the state operating grant of the District.

The District as a Whole

The District's net position increased from the prior year, increasing from \$67.4 million to \$84.6 million. Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the District.

Table 1
Net Position
(In Millions)

	<u>2017</u>	<u>2016</u> <u>Restated</u>	<u>2015</u> <u>Restated</u>
Current and other assets	\$ 43.0	\$ 34.0	\$ 28.1
Capital assets	69.0	50.9	50.1
Deferred outflows of resources	<u>7.6</u>	<u>10.1</u>	<u>4.1</u>
Total assets and deferred outflows	<u>119.6</u>	<u>95.0</u>	<u>82.3</u>
Current and other liabilities	18.7	7.9	7.3
Long-term liabilities	14.8	18.8	11.6
Deferred inflows of resources	<u>1.7</u>	<u>0.8</u>	<u>1.0</u>
Total liabilities and deferred inflows	<u>35.2</u>	<u>27.5</u>	<u>19.9</u>
Net position			
Net investment in capital assets	57.5	50.9	50.1
Unrestricted	<u>26.9</u>	<u>16.6</u>	<u>12.3</u>
Total net position	<u>\$ 84.4</u>	<u>\$ 67.5</u>	<u>\$ 62.4</u>

Fiscal Year 2017

The District's net position increased by 25.1% (\$84.4 million compared to \$67.5 million for fiscal 2016). Total assets and deferred outflows increased by \$24.6 million. Current and other assets increased by \$9 million and capital assets increased by \$18.1 million. Deferred outflows of resources related to the pension liability decreased \$2.5 million this year.

Current liabilities increased by \$10.8 million and long-term liabilities decreased \$4 million.

Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by enabling legislation or other legal requirements, increased by \$10.3 million.

Fiscal Year 2016

The District's net position increased by 8% (\$67.5 million compared to \$62.4 million for fiscal 2015). Total assets and deferred outflows increased by \$12.7 million. Current and other assets increased by \$5.9

million and capital assets increased by \$.8 million. Deferred outflows of resources related to the pension liability increased \$6 million this year.

Current liabilities increased by \$.6 million and long-term liabilities increased \$7.2 million.

Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by enabling legislation or other legal requirements, increased by \$4.3 million.

Table 2
Changes in Net Position
(In Millions)

	<u>2017</u>	<u>2016</u> <u>Restated</u>	<u>2015</u> <u>Restated</u>
Operating revenues			
Revenues from transportation services	\$ 7.9	\$ 7.9	\$ 7.4
C-CARTS	.1	.1	.1
Other operating revenues	<u>1.0</u>	<u>1.0</u>	<u>1.7</u>
Total operating revenues	<u>9.0</u>	<u>9.0</u>	<u>9.2</u>
Operating expenses			
Operations	22.0	21.2	20.8
Maintenance	6.0	6.3	6.1
General administration and Illinois Terminal	6.1	5.8	5.3
C-CARTS	0.6	0.6	0.5
Depreciation	<u>5.8</u>	<u>5.8</u>	<u>6.6</u>
Total operating expenses	<u>40.5</u>	<u>39.7</u>	<u>39.3</u>
Operating loss	<u>(31.5)</u>	<u>(30.7)</u>	<u>(30.1)</u>
Non-Operating Revenues			
Taxes	8.2	7.5	7.7
Assistance Grants - CUMTD	30.3	21.4	20.2
Assistance Grants – C-CARTS	.5	.5	.4
Other Non-Operating Revenues	<u>0.1</u>	<u>0.1</u>	<u>(.6)</u>
Total non-operating revenues	<u>39.1</u>	<u>29.5</u>	<u>27.7</u>
Income (loss) before capital Contributions	7.6	(1.2)	(2.4)
Capital Contributions			
Capital grants	<u>9.3</u>	<u>6.3</u>	<u>1.6</u>
Change in net position	16.9	5.1	(0.8)
Net position, beginning of year	<u>67.5</u>	<u>62.4</u>	<u>63.2</u>
Net position, end of year	<u>\$ 84.4</u>	<u>\$ 67.5</u>	<u>\$ 62.4</u>

Fiscal Year 2017

The District's operating revenue remained constant while operating expenses minus depreciation and C-CARTS operating expenses increased by 2.4% (\$.8 million).

The \$.8 million increase (2.4%) in operating expenses minus depreciation was primarily due to:

- A \$.7 million increase in Bus Operator wages and fringe benefits.
- A \$.3 million increase in material and supply expenses, primarily due to rolling stock maintenance expenses and building repairs.
- A \$.2 million decrease in outsourced service expenses.

Fiscal Year 2016

The District's operating revenue decreased by 2.2% (\$.2 million) while operating expenses minus depreciation and C-CARTS operating expenses increased by 3.4% (\$1.1 million).

The \$1.1 million increase (3.4%) in operating expenses minus depreciation and C-CARTS operating expenses was primarily due to:

- A \$2.3 million increase in labor and fringe benefit expenses.
- A \$1.2 million decrease in materials and supplies expenses, primarily due to lower fuel costs and rolling stock maintenance expenses.
- A \$.2 million increase in outsourced service expenses.

Budgetary Highlights

Fiscal Year 2017

The Board of Trustees approved the District's budget for fiscal year 2017 on June 29, 2016. The budget included operating expenses of \$53.6 million, excluding depreciation and C-CARTS operating expenses, and included \$13.9 million of debt service.

- Actual operating revenue was \$8.9 million, \$1.2 million more than budgeted for fiscal year 2017.
- Actual debt service was \$12.7 million, \$1.2 million under budget for fiscal year 2017.
- Actual operating expenses, less depreciation and C-CARTS operating expenses, were \$34.1 million and \$5.6 million under budget primarily due to the following:
 - Labor and fringe benefit expenses were \$3.7 million under budget.
 - Supply expenses were \$1.8 million under budget.

Fiscal Year 2016

The Board of Trustees approved the District’s budget for fiscal year 2016 on June 24, 2015. The budget included operating expenses of \$42.9 million, excluding depreciation and C-CARTS operating expenses, and included \$7.1 million of debt service.

- Actual operating revenue was \$8.9 million, \$.5 million more than budgeted for fiscal year 2016.
- Debt service was \$7.1 million under budget due to no debt service activity for fiscal year 2016.
- Actual operating expenses, less depreciation and C-CARTS operating expenses, were \$33.3 million and \$2.5 million under budget primarily due to the following:
 - Labor and fringe benefit expenses were \$.9 million under budget.
 - Supply expenses were \$1.8 million under budget.
 - Outsourced service expenses were \$.3 million over budget.

Capital Asset Administration

At the end of fiscal year 2017, the District had \$69 million invested in a broad range of capital assets for an increase of \$18.1 million over fiscal year 2016.

Fiscal Year 2017 Major Additions Included

Purchase of Land & Buildings	\$ 1,160,000
803 E. University - Maintenance Facility Expansion	4,082,796
Procurement of 30 Hybrid Buses – 40 ft	<u>18,294,455</u>
Total	<u>\$ 23,537,251</u>

The District’s fiscal year 2017 capital budget called for \$1.9 million in local dollars plus \$13.9 million of State of Illinois debt service funds. Fiscal year 2017 locally funded capital projects include:

Architectural & Engineering	\$ 500,000
Passenger Shelters	300,000
1101 Boiler Replacement	55,000
Miscellaneous Facility Improvements	30,000
MCORE Multimodal Corridor	<u>1,000,000</u>
Total	<u>\$ 1,885,000</u>

More detailed information about the District’s capital assets is presented in Notes 2 and 6 to the financial statements.

At the end of fiscal year 2016, the District had \$50.9 million invested in a broad range of capital assets. This is a decrease of \$.8 million over fiscal year 2015.

Fiscal Year 2016 Major Additions Included

803 E. University - Maintenance Facility Expansion	\$ 6,491,399
ADA Vehicles	117,570
Passenger Shelters	<u>89,593</u>
Total	<u>\$ 6,698,562</u>

The District’s fiscal year 2016 capital budget called for \$1.7 million in local dollars as well as \$7.1 million of State of Illinois debt service funds. Fiscal year 2016 locally funded capital projects include:

Architectural & Engineering	\$ 250,000
Passenger Shelters	100,000
MCORE Multimodal Corridor	<u>1,350,000</u>
Total	<u>\$ 1,700,000</u>

Long-term Debt Activity

Fiscal Year 2017 and 2016

The District has two long-term debt obligations: an early retirement plan liability and a pension liability.

The early retirement plan liability decreased \$.2 million during fiscal year 2017 as compared to a \$.2 million increase during fiscal year 2016. Future changes in the liability accrual for the early retirement plan cannot be predicted, as participation is at the discretion of eligible employees. More detailed information about the District’s early retirement plan liability is presented in Note 8 to the financial statements.

The pension liability decreased \$3.9 million during fiscal year 2017, as compared to an \$7.2 million increase during fiscal year 2016. Net pension liability recognition began in fiscal year 2015 due to the implementation of GASB 68. No pension liabilities had been recorded in prior fiscal years. More detailed information about the District’s pension liability is presented in Note 11 to the financial statements.

It is unclear whether the District will take on additional long-term debt in the coming years for the acquisition of property, construction and equipment.

Economic Factors and Next Year's Budget

- The District's total appropriations budget for fiscal year 2018 is \$45.7 million. This consists of \$41.3 million in projected operating expenses, excluding depreciation, and \$4.5 million in projected capital expenditures.
- The State of Illinois Operating Assistance budget for fiscal year 2018 has been approved. The contract was fully executed on August 11, 2017 for eligible operating expense reimbursement up to \$27.7 million. This included \$2.8 million of debt service.

CHAMPAIGN-URBANA MASS TRANSIT DISTRICT
Statements of Net Position
June 30, 2017 and 2016

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	2017	2016 As Restated
Current Assets		
Cash and Cash Equivalents	\$ 16,509,303	\$ 9,259,017
Receivables		
Property Tax, Net of Allowance of \$20,000 and \$125,000, Respectively	3,628,197	3,483,881
State Operating Assistance Grant - CUMTD, Net of Grant Payables	2,524,117	277,033
Other	1,245,143	3,642,197
Inventories	1,202,583	1,023,530
Prepaid Expenses	246,995	1,180,075
Total Current Assets	<u>25,356,338</u>	<u>18,865,733</u>
Property and Equipment, Net		
Land and Construction in Progress, Not Being Depreciated	4,589,935	9,970,036
Other Property and Equipment, Net of Depreciation	64,386,863	40,939,675
Property and Equipment, Net	<u>68,976,798</u>	<u>50,909,711</u>
Other Assets		
Capital Reserves:		
Cash and Cash Equivalents	12,166,847	9,720,451
Investments	5,430,776	5,369,218
Total Other Assets	<u>17,597,623</u>	<u>15,089,669</u>
Total Assets	111,930,759	84,865,113
Deferred Outflows of Resources		
Deferred Amount Related to Net Pension Liability	7,679,661	10,139,601
Total Assets and Deferred Outflows of Resources	<u>\$ 119,610,420</u>	<u>\$ 95,004,714</u>

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

Current Liabilities		
Accounts Payable	\$ 2,450,125	\$ 1,688,298
Accrued Expenses	3,065,872	2,853,700
Unredeemed Yearly Passes and Tokens	67,894	80,450
Accrued Interest	6,240	-
Workers' Compensation Liability	166,357	197,483
Obligations Under Incentive and Early Retirement Plans	127,037	207,570
Notes Payable	11,450,159	-
Other Current Liabilities	1,347,850	2,896,844
Total Current Liabilities	<u>18,681,534</u>	<u>7,924,345</u>
Long-Term Liabilities		
Net Pension Liability	14,343,595	18,243,478
Obligations Under Incentive and Early Retirement Plans, Net of Current	424,231	572,681
Total Long-Term Liabilities	<u>14,767,826</u>	<u>18,816,159</u>
Total Liabilities	<u>33,449,360</u>	<u>26,740,504</u>
Deferred Inflows of Resources		
Deferred Amount Related to Net Pension Liability	1,758,067	810,479
Net Position		
Net Investment in Capital Assets	57,526,639	50,909,711
Unrestricted	26,876,354	16,544,020
Total Net Position	<u>84,402,993</u>	<u>67,453,731</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 119,610,420</u>	<u>\$ 95,004,714</u>

See Accompanying Notes

CHAMPAIGN-URBANA MASS TRANSIT DISTRICT
 Statements of Revenues, Expenses, and Changes in Net Position
 For the Years Ended June 30, 2017 and 2016

	2017	2016 As Restated
Operating Revenues		
Yearly Passes	\$ 6,167,888	\$ 6,259,800
Full Adult Fares	659,310	720,668
Rental of Equipment and Buildings	708,375	678,815
Student Fares and School Bus Service	550,618	527,619
ADA Services	276,810	265,464
Advertising	330,517	302,078
Half-Fare Cab	80,398	65,915
C-CARTS	135,137	68,114
Miscellaneous	111,888	112,838
Total Operating Revenues	<u>9,020,941</u>	<u>9,001,311</u>
Operating Expenses		
Operations	22,041,815	21,233,613
Maintenance	5,970,621	6,329,903
General Administration	4,683,249	4,672,778
Illinois Terminal	1,395,218	1,122,420
C-CARTS	629,290	634,243
Depreciation	5,804,305	5,789,834
Total Operating Expenses	<u>40,524,498</u>	<u>39,782,791</u>
Operating Income (Loss)	<u>(31,503,557)</u>	<u>(30,781,480)</u>
Non-Operating Revenues (Expenses)		
Property Taxes	7,971,511	7,342,112
State Replacement Taxes	229,707	181,523
Government Grants and Assistance		
State Operating Assistance - CUMTD	30,291,453	21,379,392
State Operating Assistance - C-CARTS	340,285	410,746
Federal Operating Assistance - C-CARTS	153,871	155,383
Gain (Loss) on Disposal of Equipment	68,498	22,880
Interest Expense	(28,985)	-
Investment Income	54,075	92,330
Total Non-Operating Revenues (Expenses)	<u>39,080,415</u>	<u>29,584,366</u>
Net Income (Loss) Before Capital Contributions	7,576,858	(1,197,114)
Capital Contributions		
Capital Grants	<u>9,372,404</u>	<u>6,286,684</u>
Change in Net Position	<u>16,949,262</u>	<u>5,089,570</u>
Net Position, Beginning of Year, As Previously Reported	67,453,731	62,256,746
Prior Period Adjustment	<u>-</u>	<u>107,415</u>
Net Position, Beginning of Year, As Restated	<u>67,453,731</u>	<u>62,364,161</u>
Net Position, End of Year	<u>\$ 84,402,993</u>	<u>\$ 67,453,731</u>

See Accompanying Notes

CHAMPAIGN-URBANA MASS TRANSIT DISTRICT
Statements of Cash Flows
For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u> As Restated
Cash Flows From Operating Activities		
Receipts from Customers	\$ 9,191,356	\$ 8,072,565
Payments to Vendors	(15,915,570)	(18,126,218)
Payments to Employees	(17,736,208)	(14,323,692)
Net Cash Provided by (Used in) Operating Activities	<u>(24,460,422)</u>	<u>(24,377,345)</u>
Cash Flows From Non-Capital and Related Financing Activities		
State Operating Assistance Grants Proceeds Received	28,432,312	21,313,621
Federal Operating Assistance Grant Proceeds Received	153,871	155,383
Tax Proceeds Received	8,058,052	7,610,405
Net Cash Provided by (Used in) Non-Capital and Related Financing Activities	<u>36,644,235</u>	<u>29,079,409</u>
Cash Flows From Capital and Related Financing Activities		
Federal and State Capital Grant Proceeds Received	11,351,287	5,562,834
Proceeds from Sale Property and Equipment	68,498	-
Purchases of Property and Equipment	(13,873,425)	(6,581,885)
Interest Paid on Note Payable	(22,745)	-
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(2,476,385)</u>	<u>(1,019,051)</u>
Cash Flows From Investing Activities		
Proceeds from Sales and Maturities of Investments	2,500,000	102,603
Purchase of Investments	(2,561,558)	(118,680)
Interest Received	50,812	92,330
Net Cash Provided by (Used in) Investing Activities	<u>(10,746)</u>	<u>76,253</u>
Increase (Decrease) in Cash and Cash Equivalents	9,696,682	3,759,266
Cash and Cash Equivalents - Beginning of Year	<u>18,979,468</u>	<u>15,220,202</u>
Cash and Cash Equivalents - End of Year	<u>\$ 28,676,150</u>	<u>\$ 18,979,468</u>
Presented on the Statement of Net Position as Follows:		
Cash and Cash Equivalents	\$ 16,509,303	\$ 9,259,017
Capital Reserves-Cash and Cash Equivalents	<u>12,166,847</u>	<u>9,720,451</u>
Total	<u>\$ 28,676,150</u>	<u>\$ 18,979,468</u>
Noncash Capital and Related Financing Activities		
Capital Assets Donated by Grants	<u>\$ 152,704</u>	<u>\$ -</u>
Capital Assets Acquired Through Debt Issuance	<u>\$ 11,450,159</u>	<u>\$ -</u>

See Accompanying Notes

CHAMPAIGN-URBANA MASS TRANSIT DISTRICT
Statements of Cash Flows
For the Years Ended June 30, 2017 and 2016

	2017	2016 As Restated
Reconciliation of Operating Income (Loss)		
to Net Cash Provided by (Used in) Operating Activities		
Operating Income (Loss)	\$ (31,503,557)	\$ (30,781,480)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities		
Depreciation	5,804,305	5,789,834
Changes in Assets and Liabilities:		
Accounts Receivable	182,971	(928,746)
Inventories	(179,053)	(139,058)
Prepaid Expenses	933,080	75,844
Deferred Outflow of Resources	2,459,940	(5,983,650)
Accounts Payable and Accrued Expenses	2,584,720	(253,809)
Unredeemed Yearly Passes and Tokens	(12,556)	313
Net Pension Liability	(3,899,883)	7,246,986
Obligations to Employees Under Incentive and Early Retirement Plans	(228,983)	(9,616)
Other Current Liabilities	(1,548,994)	810,322
Deferred Inflow of Resources	947,588	(204,285)
Net Adjustments	7,043,135	6,404,135
Net Cash Provided by (Used in) Operating Activities	\$ (24,460,422)	\$ (24,377,345)

See Accompanying Notes

CHAMPAIGN-URBANA MASS TRANSIT DISTRICT
Notes to Basic Financial Statements
June 30, 2017 and 2016

1. Nature of Operations and the Reporting Entity

The Champaign-Urbana Mass Transit District (the District) is a governmental unit that provides public transportation for the people of Champaign-Urbana, Illinois. The District operates as an enterprise fund, which accounts for operations in a manner similar to private business enterprises – where the intent of the governing body (the Board of Trustees) is that the costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered in part through user charges.

The reporting entity of the District was determined based on the oversight responsibility and scope of the public services provided. Oversight responsibility is measured by the extent of financial interdependency, control over the selection of the governing authority and management, ability to significantly influence operations, and accountability for fiscal matters. Based on these criteria, there are no agencies or other units that have been or should be combined with the financial statements of the District.

The District also manages the Champaign County Area Rural Transit System (C-CARTS) under an intergovernmental agreement with Champaign County. C-CARTS is a demand response transportation system that provides safe, affordable, and reliable curb-to-curb transportation service to the general public in Champaign County within rural areas, or between rural and urbanized areas, that lie outside of the District's urban service area.

2. Summary of Significant Accounting Policies

- a. The financial statements of the District are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Government Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments. GAAP includes all relevant GASB pronouncements plus other sources of accounting and financial reporting guidance noted in GASB Statement 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.
- b. For the purposes of preparing the statement of cash flows, the District considers restricted and unrestricted currency, demand deposits, and money market accounts as cash and cash equivalents.
- c. State statutes authorize the District to invest in: direct obligations of federally insured banks and savings and loan associations; insured obligations of Illinois credit unions; securities issued or guaranteed by the U.S. Government; money market mutual funds investing only in U.S. Government based securities; commercial paper of U.S. corporations with assets over \$500 million; short-term obligations of the Federal National Mortgage Association; repurchase agreements; and the investment pools managed by the State Treasurer of Illinois.

- d. The District levies property taxes each year, on all taxable real property located within the District, on or before the last Tuesday in December. The 2016 tax levy was passed by the Board of Trustees on December 7, 2016. Property taxes attach as an enforceable lien on property as of January 1 each year and are payable in two installments on June 1, and September 1. The District receives significant distributions of tax receipts approximately one month after these due dates. Revenue from property taxes is recognized in the period for which it was levied. Property tax revenue for the years ended June 30, 2017 and 2016 was from the 2016 and 2015 levies, respectively. Property tax receivables have been reduced to the estimated amount to be collected based on historical collection experience. Property taxes paid by constituents may be contested. The District has recorded unearned revenue of \$1,119,155 for the years ended June 30, 2017 and 2016, that represents property taxes collected from two constituents that have contested their property tax payments. The unearned revenue is included in other current liabilities on the statements of net position.
- e. Inventory is stated at the lower of cost or market. Cost is determined on an average cost basis.
- f. Property and equipment are recorded at cost, while contributed capital assets are valued at estimated acquisition value at the time of contribution. Major additions and those expenditures that substantially increase the useful life of an asset are capitalized. The District's capitalization threshold for property and equipment is \$10,000 per unit. Maintenance, repairs, and minor additions and expenditures are expensed when incurred. The District provides for depreciation using the straight-line method with the following useful lives:

Structure	Years
Building	40-50
Remodeling	10-25
Carpet	5
Vans and Autos	5-7
Buses	12
Office Equipment	5-12
Bus Accessories and Parts	10-12
Bus Shelters	3-10
Radios	5-10
Shop Equipment	7-10
Tow Truck	5-10

- g. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. The amount of interest capitalized depends on the specific circumstances. There was no capitalized interest in fiscal years 2017 and 2016.

- h. The financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The District has only one item that qualifies for reporting in this category at June 30, 2017 and 2016, pension related deferred outflows. The pension related deferred outflow consists of unrecognized items not yet charged to pension expense and contributions from the District after the measurement date of the net pension liability, December 31, 2016 and 2015, but before the end of the District's reporting periods of June 30, 2017 and 2016, respectively. This item will be included in the net pension liability and pension expense calculation in subsequent fiscal years.

The financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item that qualifies for reporting in this category, pension related deferred inflows. The pension-related deferred inflow consists of unrecognized items not yet charged to pension expense. This item will be included in the net pension liability and pension expense calculation in subsequent fiscal years.

- i. The District calculates the liability for unused sick leave using the vesting method. The District considers the liability for accrued compensated absences to be a current liability, and it is included with accrued expenses on the statements of net position.
- j. The District's net position is classified as follows:
- Net Investment in Capital Assets – This represents the District's capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any debt attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent funds related to that debt at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
 - Restricted Net Position – This includes resources that the District is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties or enabling legislation.
 - Unrestricted Net Position – This includes resources that do not meet the definition of "restricted" or "net investment in capital assets."

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

- k. Revenue from the corporate personal property replacement tax is recognized in the period when the taxes have been collected by the state of Illinois.

- l. Operating revenues include all revenues from the provision of a service by the District. These services include the provision of public transportation, the rental of facilities and land, and the leasing of advertising signage on revenue vehicles. All other revenues are considered non-operating or other revenues.
- m. Operating grant revenue is recognized as it is earned. Capital grant revenue is recorded as capital grant expenditures are incurred.
- n. The proceeds from the sale of yearly passes are recorded as liabilities (unearned) when received, and the revenue is recorded evenly throughout the period for which the passes apply.
- o. Assets that are not available to finance general obligations of the District are reported as restricted on the statements of net position. The District's policy is to apply restricted resources first when an expense is incurred for a purpose for which restricted and unrestricted net position is available.
- p. Federal and state grants are subject to grantor agency compliance audits. Management believes losses, if any, resulting from those compliance audits are not material to these financial statements.
- q. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. The significant estimates at June 30, 2017 include the allowance for uncollectible property taxes, the useful lives of capital assets, the valuation of the liability for pensions, and the allowable expenses charged to grants.
- r. Certain reclassifications have been made to the statement of revenues, expenses, and changes in net position for the year ended June 30, 2016 to conform to the presentation for the year ended June 30, 2017. State and federal operating grants related to C-CARTS have been moved from operating revenues to non-operating revenues (expenses). There was no effect on previously reported net position or net income as a result of this reclassification.

3. Deposits and Investments

Custodial Credit Risk – Bank Deposits

Custodial credit risk is the risk that in the event of a bank's failure, the District's deposits may not be returned to it. The District's investment policy addresses custodial credit risk by requiring the diversification of the deposits so that losses at any one institution will be minimized. At June 30, 2017, \$28,313,741 of the District's \$34,494,385 bank balance, which reconciled to a book balance of \$28,676,150 of cash and cash equivalents and \$5,430,776 of investments, was exposed to custodial credit risk. The \$28,313,741 was fully collateralized by securities and an irrevocable letter of credit pledged by the financial institutions. The pledged securities are held by a third party, but not in the name of the District.

Investments

Investments include negotiable certificates of deposit with original maturities in excess of three months. Investments are carried at fair value (which for certificates of deposit is essentially cost) and are included in other assets on the balance sheet. As of June 30, 2017 and June 30, 2016, the District held \$5,430,776 and \$5,369,218, respectively, in negotiable certificates of deposits.

Fair Value Measurements

The District categorizes its fair value measurements of investments within the fair value hierarchy established by GAAP. The three levels of the fair value hierarchy are as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical investments
- Level 2 – inputs (other than quoted prices included within Level 1) that are observable for the investment, either directly or indirectly.
- Level 3 – unobservable inputs – market data are not available and are developed using the best information available about the assumptions that market participants would use when pricing an investment.

The Fair value of investments measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The District has the following fair value measurements as of June 30, 2017 and 2016:

	Total	June 30, 2017		
		Fair Value Measurement		
		Level 1	Level 2	Level 3
Investments by Fair Value Level				
Certificates of Deposit				
(Negotiable)	<u>\$ 5,430,776</u>	<u>\$ -</u>	<u>\$ 5,430,776</u>	<u>\$ -</u>
	Total	June 30, 2016		
		Fair Value Measurement		
		Level 1	Level 2	Level 3
Investments by Fair Value Level				
Certificates of Deposit				
(Negotiable)	<u>\$ 5,369,218</u>	<u>\$ -</u>	<u>\$ 5,369,218</u>	<u>\$ -</u>

Debt securities classified in Level 2 of the fair value hierarchy are valued using inputs other than quoted prices that are directly observable. There have been no changes in the valuation techniques used during the years ended June 30, 2017 and 2016.

Interest Rate Risk – Investments

Interest rate risk is the risk that a change in the market rate of interest for a category of debt securities will negatively impact the fair value of a debt security. Interest rate risk is addressed by the District’s investment policy by preferentially targeting investments with maturities of 180 days and limiting the percentage of investments with maturities over two years, over one year, and under sixty days.

At June 30, 2017, the District held the following investments subject to interest rate risk:

	<u>June 30, 2017</u>	
	<u>Carrying Value</u>	<u>Weighted Average Maturity (Years)</u>
Negotiable Certificates of Deposit	<u>\$ 5,430,776</u>	1.57

Custodial Credit Risk – Investments

At June 30, 2017, the District had no custodial credit risk for investments as all were held through a Securities Investor Protection Corporation (SIPC) member brokerage firm.

4. Receivables

State Operating Grants Assistance

During the years ended June 30, 2017 and 2016, the Illinois Department of Transportation (IDOT) reimbursed the District for up to sixty-five percent, of the District’s eligible operating expenses. The amount of reimbursements is limited to the maximum amount specified in the grant agreements. The District is required to return to IDOT any unspent grant amounts. The final estimated grant amount for each fiscal year is subject to review and approval of the eligible expenses by IDOT.

As of June 30, 2017 and 2016, the estimated amounts (due to) and due from IDOT, respectively, are as follows:

	<u>2017</u>	<u>2016 As Restated</u>
Fiscal Year 2017 Grant Agreement	\$ 3,544,961	\$ -
Fiscal Year 2016 Grant Agreement	(340,718)	957,159
Fiscal Year 2015 Grant Agreement	(16,229)	(16,229)
Fiscal Year 2014 Grant Agreement	(26,530)	(26,530)
Fiscal Year 2013 Grant Agreement	(65,146)	(65,146)
Fiscal Year 2012 Grant Agreement	(572,221)	(572,221)
Net Amount Due from IDOT	<u>\$ 2,524,117</u>	<u>\$ 277,033</u>

Other Receivables

Other receivables consist of the following at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u> As Restated
Trade Receivable, Net	\$ 256,060	\$ 383,693
Federal and State Grants	677,334	2,845,872
Due from Other Governments	193,269	264,542
Employees	3,177	3,121
Replacement Tax	36,296	37,446
Interest Receivable	11,329	8,066
Miscellaneous	67,678	99,457
Total Other Receivables	<u>\$ 1,245,143</u>	<u>\$ 3,642,197</u>

5. Inventories

Inventories consist of the following at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Materials and Supplies	\$ 1,129,217	\$ 960,577
Fuel and Lubricant	<u>73,366</u>	<u>62,953</u>
Total Inventories	<u>\$ 1,202,583</u>	<u>\$ 1,023,530</u>

6. Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows:

	June 30, 2016	Additions and Adjustments	Disposals and Adjustments	June 30, 2017
Not Being Depreciated:				
Land	\$ 1,475,159	\$ 676,631	\$ -	\$ 2,151,790
Land and Building Held for Sale	-	406,958	-	406,958
Construction in Progress	8,494,877	3,906,953	10,370,643	2,031,187
Being Depreciated:				
Land Improvements	43,028	-	-	43,028
Office, Garage, and Buildings	36,565,343	10,568,565	-	47,133,908
Revenue Vehicles	48,765,120	18,294,455	4,021,546	63,038,029
Service Vehicles	355,558	228,325	9,894	573,989
Passenger Shelters	2,434,640	-	60,724	2,373,916
Other Equipment	5,240,124	160,148	7,874	5,392,398
Total Cost	<u>103,373,849</u>	<u>34,242,035</u>	<u>14,470,681</u>	<u>123,145,203</u>
Less: Accumulated Depreciation	<u>52,464,138</u>	<u>5,804,305</u>	<u>4,100,038</u>	<u>54,168,405</u>
Property and Equipment, Net	<u>\$50,909,711</u>	<u>\$28,437,730</u>	<u>\$10,370,643</u>	<u>\$68,976,798</u>

Subsequent to June 30, 2017, the District sold the property located at 64 E. Chester Street in Champaign, Illinois, which was originally acquired in the year ended June 30, 2017. The carrying value at June 30, 2017 of the property held for sale was less than the sale price.

Capital asset activity for the year ended June 30, 2016 was as follows:

	June 30, 2015	Additions and Adjustments	Disposals and Adjustments	June 30, 2016
Not Being Depreciated:				
Land	\$ 1,475,159	\$ -	\$ -	\$ 1,475,159
Construction in Progress	2,726,401	6,633,449	864,973	8,494,877
Being Depreciated:				
Land Improvements	47,415	-	4,387	43,028
Office, Garage, and Buildings	35,889,987	675,356	-	36,565,343
Revenue Vehicles	48,830,089	100,000	164,969	48,765,120
Service Vehicles	361,428	-	5,870	355,558
Passenger Shelters	2,395,873	89,593	50,826	2,434,640
Other Equipment	5,277,055	12,391	49,322	5,240,124
Total Cost	<u>97,003,407</u>	<u>7,510,789</u>	<u>1,140,347</u>	<u>103,373,849</u>
Less: Accumulated Depreciation	<u>46,908,627</u>	<u>5,789,834</u>	<u>234,323</u>	<u>52,464,138</u>
Property and Equipment, Net	<u>\$50,094,780</u>	<u>\$ 1,720,955</u>	<u>\$ 906,024</u>	<u>\$50,909,711</u>

7. Accrued Compensated Absences Liability

The total liability accrued by the District for unpaid compensated absences, included in accrued expenses on the statements of net position, was \$2,731,118 and \$2,594,614 at June 30, 2017 and 2016, as restated, respectively.

District employees earn various types of compensated absences. Operators and maintenance personnel receive vacation leave and earned time leave. Salaried employees receive vacation leave and sick leave. The District adopted a Retirement Health Savings Plan (RHSP). By its adoption, the District amended policies relating to hours of unused vacation, sick leave, and earned time.

Operators and Maintenance employees are eligible to be paid for up to one week of unused vacation each calendar year. Any unused vacation earned as of January 1 each year and not used or paid out as of December 31, will be deposited into the employee's personal RHSP account, and is recorded as a benefit expense to the District. Any salaried employee's unused vacation, earned as of January 1 each year, above a 12-week accumulation limit, not used by December 31, will be deposited in the employee's RHSP account. All employees are eligible for payout of their remaining unused vacation at separation from the District.

Any salaried employee's sick hours above 750 hours, earned as of June 30 of each year and not used by December 31 will be deposited into the employee's personal RHSP account and recorded as benefit expense to the District. Salaried employees who have five years or more of continuous service for the District are eligible to be paid for unused sick leave at separation from the District. The percentage paid at separation ranges from 10 percent after five years of service up to 50 percent after twenty years of service.

Any operator or maintenance earned time balances for a full-time employee cannot exceed 336 hours, and for a part-time employee, 168 hours. Earned time balances above these levels will be deposited in the employee's personal RHSP account and recorded as benefit expense to the District. Operators and maintenance employees are eligible for payout of all their remaining unused earned time at separation from the District.

8. Obligations under Incentive and Early Retirement Plans

The District maintains an early retirement plan, whereby participating employees receive lump sum or periodic payments in exchange for their early retirement from full-time employment with the District. Eligibility requirements are that employees have at least ten years of service with the District; are eligible to receive pensions from IMRF; are at the top wage rate in their category at retirement; and are between the ages of sixty and sixty-five at retirement. For the years ended June 30, 2017 and 2016, the District has recorded a recovery of \$86,217 and an expense of \$177,167, respectively. The District had a liability of \$551,268 and \$780,251, respectively, related to this plan at June 30, 2017 and 2016. The liability amounts are not discounted as discounting the future payments at the District's operating borrowing rate results in an insignificantly different liability amount.

Projected future payments for the early retirement plan liability are as follows at June 30, 2017:

Fiscal Year	
2018	\$ 127,037
2019	189,946
2020	165,449
2021	68,836
Total	<u>\$ 551,268</u>

9. Long-Term Obligations Summary

The following is a summary of changes in long-term obligations of the District for the years ended June 30, 2017 and 2016:

	June 30, 2016	Issued	Retired	June 30, 2017	Due Within One Year
Incentive and Early Retirement Plans	\$ 780,251	\$ 128,923	\$ 357,906	\$ 551,268	\$ 127,037
Accrued Compensated Absences	2,594,614	136,504	-	2,731,118	2,731,118
Net Pension Liability	18,243,478	1,077,114	4,976,997	14,343,595	-
	<u>\$ 21,618,343</u>	<u>\$ 1,342,541</u>	<u>\$ 5,334,903</u>	<u>\$ 17,625,981</u>	<u>\$ 2,858,155</u>
	June 30, 2015	Issued	Retired	June 30, 2016	Due Within One Year
Incentive and Early Retirement Plans	\$ 789,867	\$ 158,107	\$ 167,723	\$ 780,251	\$ 207,570
Accrued Compensated Absences	2,595,767	-	1,153	2,594,614	2,594,614
Net Pension Liability	10,996,492	9,897,644	2,650,658	18,243,478	-
	<u>\$ 14,382,126</u>	<u>\$ 10,055,751</u>	<u>\$ 2,819,534</u>	<u>\$ 21,618,343</u>	<u>\$ 2,802,184</u>

10. Notes Payable

The District has two lines of credit with a bank. The first is a \$10,875,155 revolving line of credit that bears interest at a fixed rate of 2.848 percent and interest is paid monthly. It is secured by the eighteen buses purchased with the line of credit and is due April 24, 2018. The second line of credit is a \$6,000,000 revolving line of credit that bears interest at a fixed rate of 2.848 percent and interest is paid monthly. This line of credit is secured by substantially all the assets of the District and is due April 24, 2018. As of June 30, 2017, there were outstanding balances of \$10,875,155 and \$575,004, respectively, on these two lines of credit.

11. Pension Plan

Plan Description

The District's defined benefit pension plan for regular employees provides retirement and disability benefits, post-retirement increases, and death benefits to plan members and beneficiaries. The District's plan is managed by the Illinois Municipal Retirement Fund (IMRF), the administrator of a multi-employer public pension fund. IMRF is an agent multiple-employer plan. A summary of IMRF's pension benefits is provided in the "Benefits Provided" section below. Details of all benefits are available from IMRF. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available Comprehensive Annual Financial Report that includes financial statements, detailed information about the pension plan's fiduciary net position, and required supplementary information. The report is available for download at www.imrf.org.

Benefits Provided

IMRF has three benefit plans. The vast majority of IMRF members, including the District, participate in the Regular Plan.

All three IMRF benefit plans have two tiers. Employees hired before January 1, 2011, are eligible for Tier 1 benefits. Tier 1 employees are vested for pension benefits when they have at least eight years of qualifying service credit. Tier 1 employees who retire at age 55 (at reduced benefits) or after age 60 (at full benefits) with eight years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1.67 percent of the final rate of earnings for the first 15 years of service credit, plus 2 percent for each year of service credit after 15 years to a maximum of 75 percent of their final rate of earnings. Final rate of earnings is the highest total earnings during any consecutive 48 months within the last 10 years of service, divided by 48. Under Tier 1, the pension is increased by 3 percent of the original amount on January 1 every year after retirement.

Employees hired on or after January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after ten years of service. Participating employees who retire at age 62 (at reduced benefits) or after age 67 (at full benefits) with ten years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1.67 percent of the final rate of earnings for the first 15 years of service credit, plus 2 percent for each year of service credit after 15 years to a maximum of 75 percent of their final rate of earnings. Final rate of earnings is the highest total earnings during any 96 consecutive months within the last 10 years of service, divided by 96. Under Tier 2, the pension is increased on January 1 every year after retirement, upon reaching age 67, by the lesser of:

- 3 percent of the original pension amount, or
- 1/2 of the increase in the Consumer Price Index of the original pension amount.

Employees Covered by Benefit Terms

As of December 31, 2016, the following employees were covered by the benefit terms:

Retirees and Beneficiaries currently receiving benefits	151
Inactive Plan Members Entitled to but not yet Receiving Benefits	129
Active Plan Members	328
Total	<u>608</u>

Contributions

As set by statute, the District's Regular Plan Members are required to contribute 4.5 percent of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The District's annual contribution rate for calendar year 2016 was 12.87 percent. For the calendar year ended 2016, the District contributed \$4,976,997 to the plan. The District also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by IMRF's Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Net Pension Liability

The District's net pension liability was measured as of December 31, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The following are the methods and assumptions used to determine total pension liability at December 31, 2016:

- The Actuarial Cost Method used was Entry Age Normal.
- The Asset Valuation Method used was Five-year Smoothed Market Value of Assets.
- The Inflation Rate was assumed to be 2.75 percent.
- Salary Increases were expected to be 3.75 percent to 14.50 percent, including inflation.
- The Investment Rate of Return was assumed to be 7.50 percent.
- Projected Retirement Age was from the Experience-based Table of Rates, specific to the type of eligibility condition, last updated for the 2014 valuation according to an experience study from years 2011 to 2013.
- The IMRF-specific rates for Mortality (for non-disabled retirees) were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience.

- For Disabled Retirees, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table, applying the same adjustments that were applied for non-disabled lives.
- For Active Members, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.
- 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 of return (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 to the target asset allocation percent and adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Portfolio Target Percentage	Long-Term Expected Real Rate of Return
Domestic Equity	38%	6.85%
International Equity	17%	6.75%
Fixed Income	27%	3.00%
Real Estate	8%	5.75%
Alternative Investments	9%	2.65-7.35%
Cash Equivalents	1%	2.25%
	100%	

Single Discount Rate

A single discount rate of 7.50 percent was used to measure the total pension liability. The projection of cash flow used to determine this single discount rate assumed that the plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The single discount rate reflects:

1. The long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits), and
2. The tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.50 percent, the municipal bond rate is 3.78 percent, and the resulting single discount rate is 7.50 percent.

Changes in the Net Pension Liability

For fiscal year ended June 30, 2017:

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Balances at December 31, 2015	<u>\$ 81,111,505</u>	<u>\$ 62,868,027</u>	<u>\$ 18,243,478</u>
Changes for the year:			
Service Cost	1,924,207	-	1,924,207
Interest on the Total Pension Liability	5,986,140	-	5,986,140
Changes on Benefit Terms	-	-	-
Differences between Expected and Actual Experience of the Total Pension Liability	(971,731)	-	(971,731)
Changes of Assumptions	(415,902)	-	(415,902)
Contributions - Employer	-	4,976,997	(4,976,997)
Contributions - Employees	-	771,895	(771,895)
Net Investment Income	-	4,295,706	(4,295,706)
Difference Between Projected and Actual Investment	-	-	-
Benefit Payments, Including Refunds of Employee Contributions	(3,660,882)	(3,660,882)	-
Other (Net Transfer)	-	377,999	(377,999)
Net Changes	<u>2,861,832</u>	<u>6,761,715</u>	<u>(3,899,883)</u>
Balances at December 31, 2016	<u><u>\$ 83,973,337</u></u>	<u><u>\$ 69,629,742</u></u>	<u><u>\$ 14,343,595</u></u>

For fiscal year ended June 30, 2016:

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Balances at December 31, 2014	<u>\$ 73,289,707</u>	<u>\$ 62,293,215</u>	<u>\$ 10,996,492</u>
Changes for the year:			
Service Cost	1,766,692	-	1,766,692
Interest on the Total Pension Liability	5,432,618	-	5,432,618
Changes on Benefit Terms	-	-	-
Differences between Expected and Actual			
Experience of the Total Pension Liability	3,506,838	-	3,506,838
Changes of Assumptions	204,603	-	204,603
Contributions - Employer	-	2,650,658	(2,650,658)
Contributions - Employees	-	789,705	(789,705)
Net Investment Income	-	4,681,834	(4,681,834)
Difference Between Projected and			
Actual Investment	-	(4,369,489)	4,369,489
Benefit Payments, Including Refunds of			
Employee Contributions	(3,088,953)	(3,088,953)	-
Other (Net Transfer)	-	(88,943)	88,943
Net Changes	<u>7,821,798</u>	<u>574,812</u>	<u>7,246,986</u>
Balances at December 31, 2015	<u><u>\$ 81,111,505</u></u>	<u><u>\$ 62,868,027</u></u>	<u><u>\$ 18,243,478</u></u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the plan's net pension liability, calculated using a Single Discount Rate of 7.50 percent and 7.46 percent for 2016 and 2015, respectively, as well as what the plan's net pension liability (asset) would be if it were calculated using a Single Discount Rate that is 1 percent lower or 1 percent higher:

	December 31, 2016		
	1% Lower 6.50%	Current Discount 7.50%	1% Higher 8.50%
Net Pension Liability	<u>\$ 25,559,735</u>	<u>\$ 14,343,595</u>	<u>\$ 5,104,535</u>
	December 31, 2015		
	1% Lower 6.46%	Current Discount 7.46%	1% Higher 8.46%
Net Pension Liability	<u>\$ 29,378,901</u>	<u>\$ 18,243,478</u>	<u>\$ 9,083,745</u>

Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2017, the District recognized pension expense of \$3,707,999. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Deferred Amounts to be Recognized in Pension Expense in Future Periods		
Differences between Expected and Actual Experience	\$ 2,323,036	\$ 1,412,827
Changes of Assumptions	1,398,153	345,240
Net Difference between Projected and Actual Earnings on Pension Plan Investments	<u>3,356,767</u>	<u>-</u>
Total Deferred Amounts to be Recognized in Pension Expense in Future Periods	7,077,956	1,758,067
 Pension Contributions made subsequent to the Measurement Date	 <u>601,705</u>	 <u>-</u>
 Total Deferred Amounts Related to Pensions	 <u><u>\$ 7,679,661</u></u>	 <u><u>\$ 1,758,067</u></u>

The \$601,705 reported as deferred outflows of resources, relating to pensions resulting from the District's contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense for future periods as follows:

<u>Year Ending December 31</u>	<u>Net Deferred Outflows of Resources</u>
2017	\$ 1,750,948
2018	1,750,947
2019	1,580,946
2020	445,881
2021	<u>(208,833)</u>
Total	<u><u>\$ 5,319,889</u></u>

Payables to the Pension Plan

At June 30, 2017, the District had \$12,635 reported as accrued expenses payable to IMRF for legally required employer contributions or legally required employee contributions.

12. Unrestricted Net Position

Unrestricted net position consist of the following at June 30, 2017 and 2016:

	2017	2016 Restated
Board Designated for Capital Reserves	\$17,597,623	\$15,089,669
Undesignated	9,278,731	1,454,351
Total Unrestricted Net Position	<u>\$26,876,354</u>	<u>\$16,544,020</u>

13. Lease Revenue

The District is the lessor of office and retail space under operating leases expiring in various years through July 31, 2025. All of these leases are within non-transportation related sections of facilities that are used for both transportation and non-transportation purposes. The cost and carrying value of these facilities (including the transportation and non-transportation sections) was \$48,607,999 and \$30,913,387, respectively, at June 30, 2017.

Future minimum lease receipts under these operating leases are as follows at June 30, 2017:

Fiscal Year	
2018	\$ 633,865
2019	259,552
2020	118,864
2021	45,657
2022	41,016
Thereafter	126,465
Total	<u>\$ 1,225,419</u>

Minimum future rentals do not include percentage-of-sales contingent rentals contained in the retail space leases. Only the minimum required rental is included above for these retail space leases.

14. Risk Management

The District is a member of the Illinois Public Transit Risk Management Association (IPTRMA), an insurance risk pool. Through IPTRMA, the District has pooled its risk for public liability/property damage and vehicle liability claims with other local transit districts in Illinois. The District's capital contribution to the IPTRMA loss reserve fund is considered to be a prepayment of future claims in excess of insured amounts and is amortized over the period for which the capital contribution relates. Losses and claims recognized for the years

ended June 30, 2017 and 2016 totaled \$424,371 and \$365,467, respectively, including the amortization of the District's capital contribution to IPTRMA. There have been no settlement amounts that have exceeded insurance and IPTRMA loss reserve fund coverage in the past three years.

The District is self-insured for worker's compensation and employer's liability claims. Losses and claims are accrued as incurred. At June 30, 2017 and 2016, the District had a claims liability balance of \$166,357 and \$197,483, respectively, for expected additional claims payable. Losses and claims recognized for the years ended June 30, 2017 and 2016 total \$317,015 and \$317,019, respectively. The District purchases insurance coverage for worker's compensation to cover claims in excess of \$500,000 with a statutory aggregate limit for work's compensation and a \$2,000,000 aggregate limit for employer's liability.

The following is a summary of changes in self-insurance claims liability for the years ended June 30, 2017 and 2016:

	June 30, 2016	Provision	Payment	June 30, 2017
Self-Insurance				
Claims Liability	\$ 197,483	\$ 317,015	\$ 348,141	\$ 166,357
	June 30, 2015	Provision	Payment	June 30, 2016
Self-Insurance				
Claims Liability	\$ 442,243	\$ 72,259	\$ 317,019	\$ 197,483

15. Lease Commitments

The District leases real property, furniture, equipment, and vehicles under various non-cancelable operating leases, expiring at various times between September 2017 and March 2031. Future minimum lease payments under these operating leases are as follows at June 30, 2017:

Fiscal Year	
2018	\$ 267,279
2019	178,465
2020	139,746
2021	127,227
2022	120,920
Thereafter	892,500
Total	<u>\$ 1,726,137</u>

Total rental expense for operating leases for the years ended June 30, 2017 and 2016 was \$396,568 and \$377,146, respectively.

16. Concentration of Revenue

Yearly passes revenue for the years ended June 30, 2017 and 2016 includes contracts with the University of Illinois for (a) faculty/staff bus service and (b) student bus services and campus circular program. The revenue recognized related to these contracts for the years ended June 30, 2017 and 2016 was \$5,979,998 and \$6,052,122, respectively, which was 10.4 percent and 13.5 percent, respectively, of the District's revenue. At June 30, 2017 and 2016, amounts due from the University of Illinois included in accounts receivable were \$193,269 and \$264,542, respectively.

The revenue recognized related to operating and capital grants from IDOT for the years ended June 30, 2017 and 2016 was \$30,784,442 and \$28,076,821, respectively, which was 53.5 percent and 62.6 percent, respectively, of the District's revenue. At June 30, 2017 and 2016, amounts due from the IDOT were \$2,628,119 and \$2,090,784, respectively.

The revenue recognized related to operating and capital grants from the U.S Department of Transportation for the year ended June 30, 2017 was \$9,582,253, which was 16.7 percent of the District's revenue. At June 30, 2017, the amount due from the U.S Department of Transportation was \$677,334.

17. Commitments

Through the date of the auditors' report, the District has entered into the following significant contractual commitments:

Purpose	Contract Amount	Incurred Through June 30, 2017	Remaining Commitment
MCORE Project	\$ 3,911,191	\$ 407,806	\$ 3,503,385
CDL Training Center	2,129,000	1,455,847	673,153
Four 40-Foot Diesel- Electric Buses	2,419,843	-	2,419,843
Total	\$ 8,460,034	\$ 1,863,653	\$ 6,596,381

18. Contingent Liabilities

Litigation

The District is involved in several worker-compensation claims with current and former employees. As of June 30, 2017 and 2016, the District has recorded a liability of \$166,357 and \$197,483, respectively, for anticipated additional claims expense as stated in Note 14. An estimate of any additional potential loss cannot be made. The District is involved with several other liabilities claims for which any final settlement is expected to be covered by insurance.

Federal and State Grants

The District participates in a number of state and federally assisted programs. Under the terms of the programs, periodic audits may be required, and certain costs may be questioned as not being appropriate expenditures under the terms of these programs. Such audits could lead to reimbursements to grantor agencies. Based on prior experience, the District believes examinations would not result in any material disallowed costs for grant revenue recorded in these financial statements or from prior years.

19. Change in Depreciable Lives for Capital Assets

As of July 1, 2016, the District revised the estimated useful lives of certain 40-foot revenue vehicles from 10 to 12 years. The revisions were accounted for prospectively as a change in accounting estimate. As a result, the change in net position of the District for the year ended June 30, 2017 increased by \$253,793.

20. Prior Period Adjustments

The accompanying financial statements include the following prior period adjustments to correct errors in previous periods:

- The District's receivables – property tax at June 30, 2016 was understated by \$365,553. The result of this prior period adjustment is an increase of \$365,553 in receivables – property tax as of June 30, 2016 and an increase of \$365,553 in property tax revenue for the year ended June 30, 2016.
- The District's accrued expenses liability at June 30, 2016 was overstated by \$307,658 and its receivables – state operating grant assistance was overstated by \$199,978 related to pension liability applied to accrued compensated absences. The result of this prior period adjustment is a decrease of \$307,658 in accrued expenses liability as of June 30, 2016 and a similar decrease in operating expenses for the year ended June 30, 2016, and a decrease of \$199,978 in receivable – state operating grant assistance as of June 30, 2016 and a similar decrease in State of Illinois assistance grants revenue for the year ended June 30, 2016.

- The District's receivables – other at June 30, 2016 was understated by \$431,632 due to understatement of revenue on a state capital grant. The result of this prior period adjustment is an increase of \$431,632 in receivables – other as of June 30, 2016 and an increase of \$431,632 in capital grants revenue for the year ended June 30, 2016.
- The District's unrestricted – net position as of June 30, 2015 has been increased \$107,415 to correct an understatement of \$306,899 in the deferred amount related to pension liability deferred outflow of resources at June 30, 2015 and an overstatement of \$199,484 in the receivables – state operating grant assistance at June 30, 2015 resulting from onetime pension payments made subsequent to the pension's actuarial measurement date. The June 30, 2016 statement of net position has also been amended to increase the deferred amount related to pension liability deferred outflow of resources by \$291,073 and decrease the receivables – state operating grant assistance by \$189,197 due to the same issue. This prior period adjustment increased operating expenses by \$15,826 and increased the State of Illinois assistance grants revenue by \$10,287 for the year ended June 30, 2016.

REQUIRED SUPPLEMENTARY INFORMATION

CHAMPAIGN-URBANA MASS TRANSIT DISTRICT
Schedule of Changes in the Net Pension Liability and Related Ratios
Illinois Municipal Retirement Fund
Last Ten Calendar Years
Required Supplementary Information
(Unaudited)

	2016	2015	2014
Total Pension liability			
Service Cost	\$ 1,924,207	\$ 1,766,692	\$ 1,891,042
Interest on Total Pension Liability	5,986,140	5,432,618	5,035,213
Changes in Benefit Terms	-	-	-
Difference Between Expected and Actual Experience of the Total Pension Liability	(971,731)	3,506,838	(1,219,049)
Changes of Assumptions	(415,902)	204,603	2,539,109
Benefit Payments, Including Refunds of Employee Contributions	(3,660,882)	(3,088,953)	(2,473,784)
Net Change in Total Pension Liability	2,861,832	7,821,798	5,772,531
Total Pension Liability - Beginning	81,111,505	73,289,707	67,517,176
Total Pension Liability - Ending (A)	<u>\$ 83,973,337</u>	<u>\$ 81,111,505</u>	<u>\$ 73,289,707</u>
Plan Fiduciary Net Position			
Contributions - Employer	\$ 4,976,997	\$ 2,650,658	\$ 2,276,611
Contributions - Employees	771,895	789,705	731,426
Net Investment Income	4,295,706	4,681,834	3,576,698
Benefit Payments, Including Refunds of Employee Contributions	(3,660,882)	(7,458,442)	(2,473,784)
Other (Net Transfer)	377,999	(88,943)	(184,996)
Net Change in Plan Fiduciary Net Position	6,761,715	574,812	3,925,955
Plan Fiduciary Net Position, Beginning	62,868,027	62,293,215	58,367,260
Plan Fiduciary Net Position, Ending (B)	<u>\$ 69,629,742</u>	<u>\$ 62,868,027</u>	<u>\$ 62,293,215</u>
Net Pension Liability, Ending (A) - (B)	<u>\$ 14,343,595</u>	<u>\$ 18,243,478</u>	<u>\$ 10,996,492</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.92%	77.51%	85.00%
Covered Payroll	\$ 17,153,222	\$ 17,549,000	\$ 16,253,911
Net Pension Liability as a Percentage of Covered Payroll	83.62%	103.96%	69.30%

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 District will present information for those years for which information is available.

CHAMPAIGN-URBANA MASS TRANSIT DISTRICT
 Schedule of Employer Contributions
 Illinois Municipal Retirement Fund
 Last Ten Calendar Years

Required Supplementary Information
 (Unaudited)

(1) Year Ending <u>December 31,</u>	Actuarially Determined <u>Contribution</u>	Actual <u>Contribution</u>	Contribution Deficiency <u>(Excess)</u>	Covered <u>Payroll</u>	Actual Contribution as a Percentage of Covered <u>Payroll</u>
2016	\$ 2,207,620	\$ 4,976,997	\$ (2,769,377)	\$ 17,153,222	29.01%
2015	2,302,597	2,650,658	(348,061)	17,549,000	15.10%
2014	1,996,889	2,276,611	(279,722)	16,253,911	14.01%

Notes:

(1) 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 District will present information for those years for which information is available.

CHAMPAIGN-URBANA MASS TRANSIT DISTRICT
Notes to Required Supplementary Information - Schedule of Employer Contributions - IMRF
(Unaudited)
June 30, 2017

Summary of Actuarial Methods and Assumptions Used in the Calculation of the 2016 Contribution Rate*

Valuation Date:

Notes: Actuarially determined contribution rates are calculated as of December 31 each year, which are 12 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine 2016 Contribution Rates:

Actuarial Cost Method:	Aggregate entry age normal
Amortization Method:	Level percentage of payroll, closed
Remaining Amortization Period:	27-year closed period until remaining period reaches 15 years (then 15-year rolling period).
Asset Valuation Method:	5-year smoothed market; 20% corridor
Wage Growth:	3.50%
Price Inflation:	2.75%, approximate; No explicit price inflation assumption is used in this valuation.
Salary Increases:	3.75% to 14.50%, including inflation
Investment Rate of Return:	7.50%
Retirement Age:	Experience-based table of rates that are specific to the type of eligibility condition; last updated for the 2014 valuation pursuant to an experience study of the period 2011 to 2013.
Mortality:	For non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRFF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment that were applied for non-disabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

Other Information:

* Based on Valuation Assumptions used in the December 31, 2014, actuarial valuation.

SUPPLEMENTARY INFORMATION

CHAMPAIGN-URBANA MASS TRANSIT DISTRICT
Schedules of Operating Expenses
For the Years Ended June 30, 2017 and 2016

	2017	2016 As Restated
Operations		
Wages:		
Operators	\$ 8,564,687	\$ 8,438,627
Street Supervisors and Dispatchers	1,005,012	1,038,283
Other Supervisors	694,307	733,768
Clerical	271,133	245,416
Labor Credit	(39,514)	(42,320)
Total Wages	<u>10,495,625</u>	<u>10,413,774</u>
Fringe Benefits:		
Paid Absences	2,328,480	2,190,234
Health and Dental Insurance	2,702,901	2,424,450
Illinois Municipal Retirement Fund	2,784,596	2,677,100
Social Security Tax	930,314	920,852
Workers' Compensation Insurance and Claims	114,907	(61,668)
Uniform Allowances	26,214	33,135
Unemployment Insurance	32,445	37,003
Early Retirement Plan	(35,647)	93,467
Other Fringe Benefits	41,853	41,746
Total Fringe Benefits	<u>8,926,063</u>	<u>8,356,319</u>
Services:		
ADA	589,762	567,206
Taxi	160,796	137,446
Printing	49,563	60,312
Other Services	20,597	19,974
Total Services	<u>820,718</u>	<u>784,938</u>
Materials and Supplies Consumed:		
Fuel and Lubrications	1,395,933	1,319,592
Tires and Tubes	140,996	143,487
Small Equipment	41,571	23,922
Other Materials and Supplies Consumed	45,331	41,273
Total Materials and Supplies Consumed	<u>1,623,831</u>	<u>1,528,274</u>
Miscellaneous:		
Leased Equipment	144,173	126,254
Other	31,405	24,054
Total Miscellaneous	<u>175,578</u>	<u>150,308</u>
Total Operations	<u>\$ 22,041,815</u>	<u>\$ 21,233,613</u>

CHAMPAIGN-URBANA MASS TRANSIT DISTRICT
Schedules of Operating Expenses
For the Years Ended June 30, 2017 and 2016

	2017	2016 As Restated
Maintenance		
Wages:		
Mechanics	\$ 1,093,683	\$ 1,074,773
Cleaners	546,244	564,881
Supervisors and Clerical	509,199	467,268
Total Wages	<u>2,149,126</u>	<u>2,106,922</u>
Fringe Benefits:		
Health and Dental Insurance	586,429	556,642
Paid Absences	413,764	441,772
Illinois Municipal Retirement Fund	531,260	656,476
Social Security Tax	202,069	199,343
Workers' Compensation Insurance and Claims	120,774	345,296
Uniform and Tools Allowance	22,091	25,448
Unemployment Insurance	6,915	7,705
Early Retirement Plan	(108,188)	100,979
Other Fringe Benefits	15,989	11,545
Total Fringe Benefits	<u>1,791,103</u>	<u>2,345,206</u>
Services:		
Contract Maintenance	81,410	103,854
Other Services	27,294	2,617
Total Services	<u>108,704</u>	<u>106,471</u>
Materials and Supplies Consumed:		
Revenue Vehicles Repairs	1,453,234	1,333,532
Buildings and Grounds Repairs	122,299	114,831
Service Supplies	46,958	36,644
Fuel and Lubricants	94,642	90,475
Service Vehicles Repairs	18,252	19,379
Shop Tools	23,064	17,434
Passenger Shelter Repairs	77,609	79,802
Garage Equipment Repairs	32,796	26,900
Other Materials and Supplies Consumed	14,452	18,916
Total Materials and Supplies Consumed	<u>1,883,306</u>	<u>1,737,913</u>
Miscellaneous:		
Leased Equipment	26,397	18,946
Other	11,985	14,445
Total Miscellaneous	<u>38,382</u>	<u>33,391</u>
Total Maintenance	<u>\$ 5,970,621</u>	<u>\$ 6,329,903</u>

CHAMPAIGN-URBANA MASS TRANSIT DISTRICT
Schedules of Operating Expenses
For the Years Ended June 30, 2017 and 2016

	2017	2016 As Restated
General Administration		
Wages:		
Supervisors	\$ 1,036,258	\$ 951,572
Clerical	232,530	280,821
Total Wages	<u>1,268,788</u>	<u>1,232,393</u>
Fringe Benefits:		
Paid Absences	357	-
Health and Dental Insurance	257,832	197,595
Illinois Municipal Retirement Fund	211,354	243,820
Social Security Tax	80,630	83,468
Unemployment Insurance	2,344	2,681
Workers' Compensation Insurance and Claims	4,329	5,314
Early Retirement Plan	-	(17,279)
Other Fringe Benefits	24,811	21,870
Total Fringe Benefits	<u>581,657</u>	<u>537,469</u>
Services:		
Professional and Technical	533,799	987,228
Contract Maintenance	435,198	391,078
Printing	1,240	856
Other Services	19,348	(118,101)
Total Services	<u>989,585</u>	<u>1,261,061</u>
Materials and Supplies Consumed:		
Small Equipment	7,825	14,383
Office Supplies	7,836	2,805
Total Materials and Supplies Consumed	<u>15,661</u>	<u>17,188</u>
Casualty and Liability Costs:		
Uninsured Public Liability	451,669	430,928
Public Liability and Property Damage Insurance	383,885	385,068
Physical Damage Insurance	47,596	42,119
Insurance and Property Damage Recoveries	(47,780)	(18,324)
Other Insurance	27,298	25,751
Total Casualty and Liability Costs	<u>862,668</u>	<u>865,542</u>

CHAMPAIGN-URBANA MASS TRANSIT DISTRICT
Schedules of Operating Expenses
For the Years Ended June 30, 2017 and 2016

	2017	2016 As Restated
General Administration Continued		
Miscellaneous:		
Utilities	310,888	273,229
Leased Equipment	165,481	173,008
Advertising	184,256	213,993
Dues and Subscriptions	74,298	65,755
Travel and Meetings	69,654	69,252
Other	160,313	(36,112)
Total Miscellaneous	<u>964,890</u>	<u>759,125</u>
Total General Administration	<u><u>\$ 4,683,249</u></u>	<u><u>\$ 4,672,778</u></u>
Illinois Terminal		
Wages:		
Supervisors	\$ 92,935	\$ 99,817
Cleaners	132,370	118,061
Security	126,390	127,115
Clerical	81,723	115,015
Total Wages	<u>433,418</u>	<u>460,008</u>
Fringe Benefits:		
Paid Absences	30,006	23,679
Health and Dental Insurance	151,309	143,134
Illinois Municipal Retirement Fund	142,437	87,616
Social Security Tax	33,825	37,724
Uniform and Tool Allowances	2,386	3,226
Workers' Compensation Insurance and Claims	137,458	35,480
Early Retirement Plan	57,618	-
Other Fringe Benefits	2,173	4,463
Total Fringe Benefits	<u>557,212</u>	<u>335,322</u>
Services:		
Contract Maintenance	38,705	43,500
Professional Services	753	1,235
Other Services	8,470	8,696
Total Services	<u>47,928</u>	<u>53,431</u>

CHAMPAIGN-URBANA MASS TRANSIT DISTRICT
Schedules of Operating Expenses
For the Years Ended June 30, 2017 and 2016

	2017	2016 As Restated
Illinois Terminal Continued		
Materials and Supplies Consumed:		
Buildings and Grounds Repairs	170,037	91,453
Services Supplies	20,064	24,534
Shop Tools	16,075	13,529
Other Materials and Supplies Consumed	3,385	2,855
Total Materials and Supplies Consumed	<u>209,561</u>	<u>132,371</u>
Miscellaneous:		
Utilities	116,209	112,179
Other	30,890	29,109
Total Miscellaneous	<u>147,099</u>	<u>141,288</u>
Total Illinois Terminal	<u>\$ 1,395,218</u>	<u>\$ 1,122,420</u>
C-CARTS		
Wages:		
Supervisors	\$ 33,473	\$ 34,398
Operators	280,124	275,696
Training	8,721	9,060
Clerical	7,550	4,322
Total Wages	<u>329,868</u>	<u>323,476</u>
Fringe Benefits:		
Health and Dental Insurance	33,881	18,695
Illinois Municipal Retirement Fund	38,352	36,835
Social Security Tax	25,507	24,031
Uniform and Tool Allowances	1,292	1,275
Other Fringe Benefits	664	447
Paid Absences	18,790	7,363
Workers' Compensation Insurance and Claims	1,364	3,570
Unemployment Allowance	2,633	2,864
Total Fringe Benefits	<u>122,483</u>	<u>95,080</u>

CHAMPAIGN-URBANA MASS TRANSIT DISTRICT
Schedules of Operating Expenses
For the Years Ended June 30, 2017 and 2016

	2017	2016 As Restated
C-CARTS Continued		
Services:		
Professional Services	11,079	16,223
Contractual Maintenance	3,675	2,812
Printing	1,385	262
Other Services	-	14
Total Services	<u>16,139</u>	<u>19,311</u>
Materials and Supplies Consumed:		
Buildings and Grounds Repairs	-	124
Office Supplies	1,100	1,208
Fuel and Lubricants	72,378	72,247
Repairs and Maintenance	45,413	63,982
Tires and Tubes	6,662	7,121
Small Tools and Equipment	420	5,921
Total Materials and Supplies Consumed	<u>125,973</u>	<u>150,603</u>
Miscellaneous:		
Utilities	332	515
Leased Equipment	35,112	37,506
Bad Debt	-	60
Other	2,094	3,330
Total Miscellaneous	<u>37,538</u>	<u>41,411</u>
Casualty and Liability Costs:		
Uninsured Public Liability	-	4,158
Public Liability and Property Damage Insurance	-	204
Insurance and Property Damage Recoveries	(2,711)	-
Total Casualty and Liability Costs	<u>(2,711)</u>	<u>4,362</u>
Total C-CARTS	<u>\$ 629,290</u>	<u>\$ 634,243</u>
Depreciation		
Revenue Vehicles, Fareboxes, and Radios	\$3,600,042	\$3,442,936
Office and Garage Facilities	1,648,070	1,735,705
Office and Garage Equipment	115,853	172,713
Service Vehicles	41,253	25,388
Other Equipment	399,087	413,092
Total Depreciation	<u>\$5,804,305</u>	<u>\$5,789,834</u>

CHAMPAIGN-URBANA MASS TRANSIT DISTRICT
 Schedule of Revenues and Expenses
 Under Downstate Operating Assistance Grant OP-17-01-IL
 For The Year Ended June 30, 2017

Operating Revenues:	
401 Passenger Fares for Transit Services	\$ 1,519,556
402 Special Transit Fares	6,215,468
403 School Bus Service	-
406 Auxiliary Revenue	366,903
407 Non-Transportation Revenue	906,450
411 State Grants and Reimbursements other than DOAP	-
413 Federal Grants and Reimbursements	-
	<u> </u>
Total Operating Revenues	<u><u>\$ 9,008,377</u></u>
Operating Expenses:	
501 Labor	\$ 14,346,957
502 Fringe Benefits	11,856,035
503 Professional Services	1,216,377
504 Materials and Supplies Consumed	3,758,167
505 Utilities	427,097
506 Casualty and Liability	862,668
507 Taxes	47,762
508 Purchased Transportation	750,558
509 Miscellaneous Expense	463,826
511 Interest Expense	28,985
512 Leases, Rentals, and Purchase-Lease Payments	361,456
517 Debt Service on Equipment/Facilities	12,704,327
	<u> </u>
Total Operating Expenses	<u>46,824,215</u>
Less: Ineligible Operating Expenses:	
Expenses Related to the Non-Transportation Areas of Illinois Terminal	(38,478)
Other Miscellaneous Expenses of 1101 East University	(58,400)
Professional Services Not Related to Transportation Services	(119,899)
APTA and IPTA Dues	(5,203)
	<u> </u>
Total Ineligible Operating Expenses	<u>(221,980)</u>
Total Eligible Operating Expenses	<u><u>\$ 46,602,235</u></u>
Total Eligible Operating Expenses	\$ 46,602,235
Total Operating Revenues	<u>9,008,377</u>
Deficit	<u><u>\$ 37,593,858</u></u>
Sixty-Five Percent of Eligible Operating Expenses	<u><u>\$ 30,291,453</u></u>
Maximum Contract Amount	<u><u>\$ 36,361,377</u></u>
Eligible Downstate Operating Assistance (Deficit or Sixty-Five Percent of Eligible Expense or Maximum Contract Amount, Whichever is Less)	\$ 30,291,453
Less - Fiscal Year 2017 Downstate Operating Assistance Received Through June 30, 2017	26,746,492
Less - Fiscal Year 2017 Downstate Operating Assistance Received Subsequent to June 30, 2017	<u>966,668</u>
Fiscal Year 2017 Downstate Operating Assistance Receivable After 4th Payment	2,578,293
Less - Amount Received in Fiscal Year 2016 Related to Prior Period Adjustments Recorded in Fiscal Year 2017	<u>389,175</u>
Fiscal Year 2017 Downstate Operating Assistance (Over) Under Paid	<u><u>\$ 2,189,118</u></u>

CHAMPAIGN-URBANA MASS TRANSIT DISTRICT
Schedule of Prior Audit Findings –
Downstate Operating Assistance Grant OP-17-01-IL
For the Year Ended June 30, 2017

No findings noted in the prior year.

CHAMPAIGN-URBANA MASS TRANSIT DISTRICT
Schedule of Auditor Assurances Applicable to
Downstate Operating Assistance Grant OP-17-01-IL
For the Year Ended June 30, 2017

1. The financial statements of the Champaign-Urbana Mass Transit District (the District) are prepared in accordance with accounting principles generally accepted in the United States of America as adopted by the Governmental Accounting Standards Board.
2. The District complied with the Regulations for Operating Assistance to Downstate Areas.
3. The District's system of internal accounting controls and procedures was adequate relating to funds received and costs charged to the grant.
4. State funds were expended in accordance with the grant contract.
5. Financial reports and claims for advances were accurate and complete with no exceptions.

Champaign County
 Section 5311 Annual Financial Report
 Operating Period July 1, 2016 to June 30, 2017
 (Prepared by Champaign-Urbana Mass Transit District)
 Contract Number DPT # 4681

Revenue

Line Item	Description	Total
401	Passenger Fares/ Donations	\$51,615
402	Special Transit Fares	\$55,002
405	Charter Service	
406	Auxiliary Transportation	
407	Non-Transportation Revenue	
411	State Cash Grants	\$340,285
430	Contributed Services	
440	Subsidy From Other Sources	\$28,520
	Total Revenue	\$475,422
	Less: Non- 5311 Operating Revenues	(\$368,805)
	Section 5311 Operating Revenue	\$106,617

Expenses

Line Item	Eligible Expenses	Actual Administrative Expenses	Actual Operating Expenses	Total
501	Labor	\$41,022	\$288,845	\$329,868
502	Fringe Benefits	\$730	\$121,753	\$122,483
503	Services	\$11,079	\$5,060	\$16,139
504.01	Fuel and Oil		\$72,378	\$72,378
504.02	Tires and Tubes		\$6,662	\$6,662
504.99	Other Materials		\$46,933	\$46,933
505	Utilities	\$332		\$332
506	Casualty and Liability		(\$2,711)	(\$2,711)
507	Taxes			\$0
508	Purchased Transportation			\$0
509	Miscellaneous	\$219	\$1,875	\$2,094
511	Interest Expense			\$0
512	Lease and Rentals		\$35,112	\$35,112
	Other:			
	Total Expenses	\$53,384	\$575,906	\$629,290

Champaign County
Section 5311 Annual Financial Report
Operating Period July 1, 2016 to June 30, 2017
(Prepared by Champaign-Urbana Mass Transit District)
Contract Number DPT # 4681

	Administrative Expenses	Operating Expenses	Total	
1) Expenses: Per Single Audit	\$53,384	\$575,906	\$629,290	
2) Less: Ineligible Expenses per Single Audit		(\$3)	(\$3)	
3) Net Eligible Expenses ((1)-(2))	\$53,383	\$575,910	\$629,293	
4) Less: Section 5311 Operating Revenues (From Page 1)		\$106,617	\$106,617	
5) Section 5311 Operating Deficit ((3)-(4))		\$469,293		
6) Section 5311 Deficit ((3)-(4))			\$522,676	
7) Section 5311 Reimbursement %	<u>x</u> 80%	<u>x</u> 50%		
				Grant
				Total
A) Eligible Reimbursement Per Percentages	\$42,707	\$234,646	\$277,353	
B) Funding Limits per Contract				\$153,871
C) Maximum Section 5311 Reimbursement: (Lesser of Totals for (A) or (B))			\$153,871	\$153,871
D) Less: IDOT Payments- Section 5311 Reimbursement to Grantee				\$153,871
E) Amount (Over) Under Paid ((C)-(D))				\$0.00
F) Grantee Local Match Requirement (Operating Deficit-(C))			\$368,805	

GRANTEE MATCH SOURCES	AMOUNTS
Downstate Operating Grant	\$340,285
Local Contracts	\$28,520
In-Kind Services, Subsidies, Donations	\$0
TOTAL LOCAL MATCH (Must equal (F))	\$368,805
LOCAL TRANSIT FUNDS RETAINED (CARRY FORWARD ACCOUNT)	
BEGINNING CARRY FORWARD (C.F.A.) BALANCE	\$56,884
FY Local Transit (Local Contracts) Amounts Received	\$71,522
Less expended for Capital \$ 0 Operating \$83,542.03	\$83,542
ENDING CARRY FORWARD (C.F.A.) BALANCE	\$44,864

I certify that the revenues and costs claimed for reimbursement are adequately supported and the approved cost allocation plan (if applicable) has been followed as provided in the project budget.

Prepared By: Jolene Gensler

Title: Comptroller

Received By/PCOM: _____

Date: _____

CPA Approval: See Independent Auditors' Report

Date: See Independent Auditors' Report

Champaign County
Schedules of Revenues and Expenses
Under Downstate Operating Assistance Grant OP-17-26-IL
(Prepared by Champaign-Urbana Mass Transit District)
For the Year Ended June 30, 2017

Operating Revenues:

401	Passenger Fares for Transit Services	\$ 51,615
402	Special Transit Fares	55,002
413	Federal Cash Grants & Reimbursement	153,871
413 .99	Sec. 5307 capital funds applied to state eligible op. expenses	-
.99	Job Access Reverse Commute & New Freedom	-
430	Contributed Services	-
440	Subsidy from Other Sectors of Operations	<u>28,520</u>
	Total Operating Revenues	<u>\$ 289,008</u>

Operating Expenses

501	Labor	\$ 329,868
502	Fringe Benefits	122,483
503	Professional Services	16,139
504	Materials & Supplies Consumed	125,973
505	Utilities	332
506	Casualty & Liability	(2,711)
507	Taxes	-
508	Purchased Transportation	-
509	Miscellaneous Expense	2,094
511	Interest Expense	-
512	Leases, Rentals, and Purchase-Lease Payments	<u>35,112</u>
	Total Operating Expenses	629,290

Ineligible Operating Expenses:

Other: Rounding \$ (3)

Less Total Ineligible Operating Expenses (3)

Total Eligible Operating Expenses \$ 629,293

Champaign County
Schedules of Revenues and Expenses
Under Downstate Operating Assistance Grant OP-17-26-IL
(Prepared by Champaign-Urbana Mass Transit District)
For the Year Ended June 30, 2017

Total Eligible Operating Expenses	\$	629,293
Total Operating Revenues		<u>289,008</u>
Deficit	\$	<u><u>340,285</u></u>
Sixty-Five Percent of Eligible Operating Expenses	\$	<u>409,040</u>
Maximum Contract Amount	\$	<u>768,800</u>
Eligible Downstate Operating Assistance (Deficit or Sixty-Five Percent of Eligible Expense or Maximum Contract Amount, Whichever is Less)	\$	340,285
Fiscal Year 2017 Downstate Operating Assistance Received Through June 30, 2017		236,283
Fiscal Year 2017 Downstate Operating Assistance Received Subsequent to June 30, 2017		<u>104,002</u>
Fiscal Year 2017 Downstate Operating Assistance (Over) Under Paid	\$	<u><u>-</u></u>

Prepared By: <u>Jolene Gensler</u>	Title: <u>Comptroller, CUMTD</u>
Reviewed by PCOM: _____	Date: _____
Reviewed by Grantee: _____ Authorized Representative	Date: _____
CPA Approval: <u>See Independent Auditor's Report</u>	Date: <u>See Independent Auditor's Report</u>

CHAMPAIGN-URBANA MASS TRANSIT DISTRICT
Schedule of Prior Audit Findings –
Downstate Operating Assistance Grant OP-17-26-IL
For the Year Ended June 30, 2017

No findings noted in the prior year.

CHAMPAIGN-URBANA MASS TRANSIT DISTRICT
Schedule of Auditor Assurances Applicable to
Downstate Operating Assistance Grant OP-17-26-IL
For the Year Ended June 30, 2017

1. The financial statements of the Champaign-Urbana Mass Transit District (the District) are prepared in accordance with accounting principles generally accepted in the United States of America as adopted by the Governmental Accounting Standards Board.
2. The District complied with the Regulations for Operating Assistance to Downstate Areas.
3. The District's system of internal accounting controls and procedures was adequate relating to funds received and costs charged to the grant.
4. State funds were expended in accordance with the grant contract.
5. Financial reports and claims for advances were accurate and complete with no exceptions.

CHAMPAIGN-URBANA MASS TRANSIT DISTRICT
 Schedule of Expenditures of Federal Awards - Cash Basis
 For the Year Ended June 30, 2017

Federal Grantor/Pass-Through Grantor/ Program Title	CFDA Number	Grant Number	Federal Awards Expended	Total Provided to Sub-recipients
U.S. Department of Transportation -				
Direct Awards:				
Federal Transit Formula Grants	20.507	* IL-90-X719	\$ 65,234	\$ 65,234
Federal Transit Formula Grants	20.507	* IL-90-X723	2,414,830	-
Federal Transit Formula Grants	20.507	* IL-90-X737	<u>7,301,730</u>	-
Total Federal Transit Cluster			9,781,794	<u>65,234</u>
Enhanced Mobility of Seniors and Individuals with Disabilities Program (Noncash)	20.513	IL-34-0005	152,704	-
Pass Through from the County of Champaign, Illinois				
Formula Grants for Rural Areas	20.509	IL-2016-034	<u>153,871</u>	-
Total Federal Expenditures			<u>\$ 10,088,369</u>	<u>\$ 65,234</u>

* - Denotes a major program.

Notes to Schedule of Expenditures of Federal Awards:

- The accompanying Schedule of Expenditures of Federal Awards is a summary of the activity of the District's federal award programs presented on the cash basis of accounting, which differs from the basis of accounting described in Note 1 to the District's accompanying financial statements (See reconciliation to accrual basis of accounting below). The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in the basic financial statements, which are presented in conformity with accounting principles generally accepted in the United States of America.

Reconciliation from Cash Basis to Accrual Basis:

Federal Awards Expended on Cash Basis as of June 30, 2017	\$ 10,088,369
Adjustments to Reconcile to Accrual Basis	
Federal Expenditures Incurred in Fiscal Year 2017	
Paid After June 30, 2017	44,701
Federal Expenditures Incurred Prior to Fiscal Year 2017	
Paid in Fiscal year 2017	<u>(550,817)</u>
Total Adjustments to Reconcile to Accrual Basis	<u>(506,116)</u>
Federal Awards Expended on Accrual Basis in Fiscal Year 2017	<u>\$ 9,582,253</u>

- The District did not use the 10 percent de minimis indirect cost rate for the year ended June 30, 2017.
- Property and equipment purchases that are presented as expenditures in the Schedule of Expenditures of Federal Awards may be capitalized by the District for presentation in the basic financial statements.

Program Title/Subrecipient	CFDA Number	Amount Provided
Federal Transit Formula Grants		
Champaign County Regional Planning Commission	20.507	<u>\$ 65,234</u>

CHAMPAIGN-URBANA MASS TRANSIT DISTRICT
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2017

1. Summary of Auditor's Results

- (i) Type of auditor's report issued on the financial statements: Unmodified
- (ii) The audit did disclose a material weakness in internal control over financial reporting.
- (iii) The audit did not disclose instances of noncompliance material to the financial statements.
- (iv) The audit did not disclose material weaknesses or significant deficiencies in internal control over the major federal award programs.
- (v) Type of auditor's report issued on compliance for the major program: Unmodified
- (vi) The audit did not disclose a finding that is required to be reported in accordance with 2 CFR section 200.516a.
- (vii) Major program:
 - U.S. Department of Transportation – Federal Transit Administration:
 - Federal Transit Cluster
 - CFDA #20.507
- (viii) The dollar threshold used to distinguish Type A and Type B programs was \$750,000.
- (ix) Champaign-Urbana Mass Transit District does not qualify as a low risk auditee.

2. Findings – Financial Statement Audit

Material Weakness

2017-001: Material Adjusting Journal Entries Identified as a Result of Procedures Applied by the District's External Auditors

Criteria

Management is responsible for the preparation of the financial statements. Part of this responsibility is the identification, calculation, and recording of all significant adjusting journal entries required to present the financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

Condition

Our audit procedures identified material misstatements of financial statement amounts provided to us by management. Subsequent to identifying the misstatement, we proposed, and management approved, adjusting journal entries, which have corrected the identified misstatements in the financial statements.

Population of Items Tested

Our audit procedures identified four adjusting journal entries to correct errors in the financial statements that had not previously been identified by the District's internal controls.

- One adjusting journal entry was to correct the June 30, 2016 balance for property tax revenue receivable and revenue.
- The second adjusting journal entry was to correct the June 30, 2016 accrued expenses liability and state operating grant assistance receivable related to pension liability applied to accrued compensation absences, and related expenses and revenues, respectively.
- The third adjusting journal entry was to correct the June 30, 2016 state capital grant receivable and revenue.
- The fourth adjusting journal entry was to correct the June 30, 2016 deferred outflows of resources related to the pension liability and state operating grant assistance receivable, and related expense and revenue, respectively.

Cause of Conditions

No specific causes are noted.

Effects of Conditions

The District's financial statements as of and for the year ended June 30, 2017 and 2016 were misstated prior to the application of auditing procedures by the District's external auditors.

Recommendations

1. The District's management should record all adjusting journal entries necessary to report the account balances and transactions of the District prior to providing the trial balance summarization to the auditor for use in the annual financial statement audit.

2. If there are adjusting journal entries that management leaves knowingly for the auditor to calculate and record as part of the audit, this fact should be made clear to the auditor prior to the engagement. In addition, a member of management possessing the necessary accounting skills, knowledge, or experience must review the adjusting journal entries and the supporting documentation and provide specific approval of the calculation and the drafted adjusting journal entries.

View of Responsible Official

Management is aware of these items and believes they are unlikely to be an issue in the future.

3. Findings and Questioned Costs – Major Federal Award Program Audit

None noted.

CHAMPAIGN-URBANA MASS TRANSIT DISTRICT
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2017

2016-001 – Claim Liability Accrual

Condition

An estimated liability accrued related to pending litigation as of June 30, 2015, was revised to be paid by insurance rather than directly by the District. This change reduced the amount of eligible expenses from a granting agency and therefore reduced the grant amount. These changes resulted in net position being understated as of June 30, 2015. To correct this error a prior period adjustment was required to remove the claim liability, correct the amount due the granting agency, and correct the net position as of June, 2015.

Recommendation

Management should continue to monitor pending litigation for potential contingent liabilities, but consider if the District would be the payee in such instances.

Status

A finding related to material prior period adjustments is reported for the fiscal year ending June 30, 2017, however, those prior period adjustments did not involve pending litigation contingencies.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

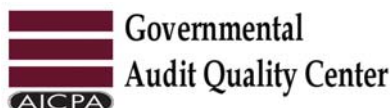
To the Board of Trustees
Champaign-Urbana Mass Transit District
Urbana, Illinois

We have audited, in accordance with the 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 the Champaign-Urbana Mass Transit District (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 19, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District'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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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.



CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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 have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Finding 2017-001, that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Audit Standards*.

District's Response to the Finding

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and question costs. The District'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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Martin, Wood, Fries & Associates, LLC

Champaign, Illinois
November 19, 2017

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Trustees
Champaign-Urbana Mass Transit District
Urbana, Illinois

Report on Compliance for Each Major Federal Program

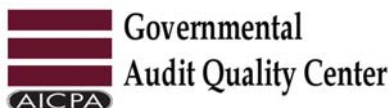
We have audited Champaign-Urbana Mass Transit District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2017. The District's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs (Schedule 10).

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.



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We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the District 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 the District'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 the Uniform Guidance, 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 the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *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 the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Martin, Wood, Fries & Associates, LLC

Champaign, Illinois

November 19, 2017