

**CHAMPAIGN-URBANA
MASS TRANSIT DISTRICT**
Urbana, Illinois

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2016 AND 2015



CliftonLarsonAllen

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS	
Statements of Net Position	12
Statements of Revenues, Expenses, and Changes in Net Position	14
Statements of Cash Flows	15
Notes to Basic Financial Statements	17
REQUIRED SUPPLEMENTARY INFORMATION	36
Schedule of Employer Contributions (Unaudited)	37
Schedule of Changes in the Net Pension Liability and Related Ratios (Unaudited).....	38
Notes to Required Supplementary Information	39
SUPPLEMENTARY INFORMATION	40
Schedules of Operating Expenses.....	41
Schedule of Revenue and Expenses under Downstate Operating Assistance Grant OP-16-01-IL.....	47
Amended Schedules of Revenue and Expenses under Downstate Operating Assistance Grant OP-15-01-IL.....	49
Section 5311 Annual Financial Report.....	51
Schedule of Revenue and Expense under Downstate Operating Assistance Grant OP-16-06-FED	53
INDEPENDENT AUDITORS' 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	55

INDEPENDENT AUDITORS' 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 years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control 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, 2016 and 2015, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter

As discussed in Note 19 to the financial statements, an error resulting in an overstatement of amounts previously reported for claims payable and expense as of June 30, 2015, was discovered by management of the entity during the current year. This also increased a payable to a granting agency and decreased revenue. Accordingly, amounts reported for claims payable and claims expense, and operating assistance grant payable and non-operating revenue, have been restated in the 2015 financial statements now presented, and an adjustment has been made to net position as of June 30, 2015, to correct the error. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of employer contributions, schedule of changes in the net pension liability and related ratios, 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 schedules of operating expenses are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Revenue and Expenses under Downstate Operating Assistance Grant OP-16-01-IL, Amended Schedule of Revenue and Expenses Under Downstate Operating Assistance Grant OP-15-01-IL, Section 5311 Annual Financial Report, and Schedule of Revenue and Expense under Downstate Operating Assistance Grant OP-16-06-FED are presented for purposes of additional analysis as required by the Illinois Department of Transportation and are not a required part of the basic financial statements.

These 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, including the effects of the restatement of the 2015 information as described above, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2016, 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 to describe the scope of our testing, and not to provide an opinion on 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.



CliftonLarsonAllen LLP

Champaign, Illinois
December 1, 2016

**CHAMPAIGN-URBANA MASS TRANSIT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016 and 2015**

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.

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.

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, 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.

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 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.

**CHAMPAIGN-URBANA MASS TRANSIT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016 and 2015**

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.

Fiscal Year 2015 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 2015 closed with annual passenger ridership reaching an all-time high of 13,546,543 riders.

The District's ongoing effort to be environmentally conscious resulted in: Illinois Terminal becoming the District's second facility to achieve ISO 14001:2004 Certification for its Environmental and Sustainability Management System; a Gold Level Achievement recognition from the American Public Transportation Association (APTA) for its sustainability accomplishments; and second place in the Illinois Green Office Challenge for energy, water, and waste reduction efforts, saving over \$22,000 in energy costs through the use of 250,000 kilowatt hours of solar energy. This offset approximately 19 percent of electricity consumed by the District's Maintenance Facility.

The District also received a Bronze Level Illinois Healthy Worksite designation and certificate of achievement from the Governor's Council on Health and Fitness, the Illinois Department of Public Health and the Illinois Chamber of Commerce.

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 used by 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.

**CHAMPAIGN-URBANA MASS TRANSIT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016 and 2015**

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 \$62.3 million to \$66.5 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>2016</u>	<u>2015</u>	<u>2014</u>
Current and other assets	\$ 33.6	\$ 28.3	\$ 22.9
Capital assets	50.9	50.1	55.3
Deferred outflows of resources	<u>9.8</u>	<u>3.8</u>	<u>-</u>
Total assets and deferred outflows	<u>94.3</u>	<u>82.2</u>	<u>78.2</u>
Current and other liabilities	8.2	7.3	6.5
Long-term liabilities	18.8	11.6	0.5
Deferred inflows of resources	<u>0.8</u>	<u>1.0</u>	<u>-</u>
Total liabilities and deferred inflows	<u>27.8</u>	<u>19.9</u>	<u>7.0</u>
Net position			
Net investment in capital assets	50.9	50.1	55.3
Unrestricted	<u>15.6</u>	<u>12.2</u>	<u>15.9</u>
Total net position	<u>\$ 66.5</u>	<u>\$ 62.3</u>	<u>\$ 71.2</u>

**CHAMPAIGN-URBANA MASS TRANSIT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016 and 2015**

The District as a Whole (CONTINUED)

Fiscal Year 2016 - The District's net position increased by 6.7% (\$66.5 million compared to \$62.3 million for fiscal 2015). Total assets and deferred outflows increased by \$12.5 million. Current and other assets increased by \$5.3 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 \$.9 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 \$3.4 million.

Fiscal Year 2015 - The District's net position decreased by 13% (\$62.3 million compared to \$71.2 million for fiscal 2014). Total assets and deferred outflows increased by \$4 million. Current and other assets increased by \$5.4 million and capital assets decreased by \$5.2 million. Deferred outflows of resources related to the pension liability of \$3.8 million was added this year with the implementation of GASB 68.

Current liabilities increased by \$.8 million while long-term liabilities increased \$11.1 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, decreased by \$3.7 million.

**CHAMPAIGN-URBANA MASS TRANSIT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016 and 2015**

The District as a Whole (CONTINUED)

**Table 2
Changes in Net Position
(In Millions)**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Operating revenues			
Revenues from transportation services	\$ 8.5	\$ 7.4	\$ 7.1
Other operating revenues	<u>1.1</u>	<u>1.8</u>	<u>1.1</u>
Total operating revenues	<u>9.6</u>	<u>9.2</u>	<u>8.2</u>
Operating expenses			
Operations	21.3	21.0	20.3
Maintenance	6.4	6.2	5.2
General administration and Illinois Terminal	6.0	5.3	6.2
C-Carts	0.6	0.5	-
Depreciation	<u>5.8</u>	<u>6.6</u>	<u>6.8</u>
Total operating expenses	<u>40.1</u>	<u>39.6</u>	<u>38.5</u>
Operating loss	<u>(30.5)</u>	<u>(30.4)</u>	<u>(30.3)</u>
Non-operating revenue			
Taxes	7.2	7.7	6.9
Assistance grants	<u>21.7</u>	<u>20.2</u>	<u>21.2</u>
Total non-operating revenues	<u>28.9</u>	<u>27.9</u>	<u>28.1</u>
Income (loss) before other revenue	(1.6)	(2.5)	(2.2)
Other revenues			
Capital grants	<u>5.8</u>	<u>1.6</u>	<u>1.0</u>
Change in net position	4.2	(0.9)	(1.2)
Restatement – net pension liability	0	(8.1)	-
Net position, beginning of year	<u>62.3</u>	<u>63.2</u>	<u>72.4</u>
Net position, end of year	<u>\$ 66.5</u>	<u>\$ 62.3</u>	<u>\$ 71.2</u>

**CHAMPAIGN-URBANA MASS TRANSIT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016 and 2015**

The District as a Whole (CONTINUED)

Fiscal Year 2016 - The District's operating revenue increased by 4.3% (\$0.4 million) while operating expenses minus depreciation increased by 3.9% (\$1.3 million).

Factors that led to the 3.9% increase in operating expenses included:

- A 9.3% increase (\$2.3 million) in labor and fringe benefit expenses.
- A 18.2% increase (\$0.2 million) in service expenses.
- A 25.3% decrease (\$1.2 million) in materials and supplies expenses, primarily due to lower fuel costs and rolling stock maintenance expenses.

Fiscal Year 2015 - The District's operating revenue increased by 12.2% (\$1 million) while operating expenses minus depreciation increased by 4.1% (\$1.3 million).

Factors that led to the 4.1% increase in operating expenses included:

- A 3.5% increase (\$0.8 million) in labor and fringe benefit expenses.
- A 5.6% increase (\$0.25 million) in materials and supplies expenses.
- A 9.0% increase (\$0.1 million) in service expenses.

Budgetary Highlights

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 included \$7.1 million of debt service.

- Actual operating revenue was \$9.6 million, \$1.2 million more than budgeted for fiscal year 2016.
- Actual operating expenses, less depreciation, were \$34.3 million. There were no eligible debt service expenditures. Total operating expenses were \$8.6 million under budget primarily due to the following: debt service was \$7.1 million under budget, service expenses were \$0.3 million over budget and supply expenses were \$1.8 million under budget.

**CHAMPAIGN-URBANA MASS TRANSIT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016 and 2015**

Budgetary Highlights (CONTINUED)

Fiscal Year 2015 - The Board of Trustees approved the District's budget for fiscal year 2015 on June 25, 2014 with various capital budget amendments throughout the year. The budget included operating expenses of \$42.0 million, excluding depreciation. This included \$5.6 million of debt service.

- Actual operating revenue was \$9.2 million, \$.8 million more than budgeted for fiscal year 2015.
- Actual operating expenses, less depreciation, were \$33 million. There were no eligible debt service expenditures. Total operating expenses were \$8.7 million under budget primarily due to the following: debt service was \$5.6 million under budget, labor and fringe benefit expenses were \$3.0 million under budget, and material and supply expenses were \$1.0 million under budget.

Capital Asset Administration

At the end of fiscal year 2016, the District had \$50.1 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 calls for \$1.7 million in local dollars as well as \$7.1 million of state of Illinois debt service funds. Fiscal year 2016 capital projects from these sources include:

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

More detailed information about the District's capital assets is presented in Notes 2 and 7 to the financial statements.

**CHAMPAIGN-URBANA MASS TRANSIT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016 and 2015**

Capital Asset Administration (CONTINUED)

Fiscal Year 2015 Major Additions Included

803 Pavement	\$ 282,623
IL Terminal East Lot Repavement	226,865
High Speed Doors	<u>197,960</u>
Total	<u>\$ 707,448</u>

Long-term Debt Activity

Fiscal Year 2016 and 2015 - The District has two long-term debt obligations: an early retirement plan liability and a net pension liability.

The early retirement plan liability increased \$.2 million during fiscal year 2016, as compared to a \$.1 million increase during fiscal year 2015. 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 13 to the financial statements.

The pension liability increased \$7.2 million during fiscal year 2016, as compared to an \$11 million increase during fiscal year 2015. 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 14 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 2017 is \$55.5 million. This consists of \$53.6 million in projected operating expenses, excluding depreciation, and \$1.9 million in projected capital expenditures.
- The state of Illinois Operating Assistance budget for fiscal year 2017 has been approved. The contract was fully executed on October 20, 2016 for eligible operating expense reimbursement up to \$36.4 million. This included \$13.9 million of debt service.

CHAMPAIGN URBANA MASS TRANSIT DISTRICT
STATEMENTS OF NET POSITION
June 30, 2016 and 2015

ASSETS

	<u>2016</u>	<u>2015</u>
CURRENT ASSETS		
Cash and cash equivalents	9,259,017	\$ 9,092,123
Investments	-	102,603
Receivables:		
Property tax	3,118,328	3,570,651
State operating grant assistance	666,208	-
Other	3,210,565	1,989,601
Inventories	1,023,530	884,472
Prepaid expenses	<u>1,180,075</u>	<u>1,255,919</u>
Total current assets	<u>18,457,723</u>	<u>16,895,369</u>
 PROPERTY AND EQUIPMENT		
Land and construction in progress, not being depreciated	9,970,036	4,201,560
Other property and equipment, net of depreciation	<u>40,939,675</u>	<u>45,893,220</u>
Total property and equipment	<u>50,909,711</u>	<u>50,094,780</u>
 OTHER ASSETS		
Capital reserves:		
Cash and cash equivalents	9,720,451	6,128,079
Investments	<u>5,369,218</u>	<u>5,250,538</u>
Total other assets	<u>15,089,669</u>	<u>11,378,617</u>
 TOTAL ASSETS	<u>84,457,103</u>	<u>78,368,766</u>
 DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount related to pension liability	<u>9,848,528</u>	<u>3,849,052</u>
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 94,305,631</u>	<u>\$ 82,217,818</u>

LIABILITIES AND NET POSITION

	<u>2016</u>	<u>2015</u>
CURRENT LIABILITIES		
Accounts payable	\$ 1,688,298	\$ 565,877
Operating assistance grant payable	-	594,127
Accrued expenses	3,161,358	3,391,043
Unredeemed yearly passes and tokens	80,450	80,137
Obligations under incentive and early retirement plans, current portion	207,570	180,909
Workers' compensation liability	197,483	442,243
Other current liabilities	<u>2,896,844</u>	<u>2,086,522</u>
Total current liabilities	<u>8,232,003</u>	<u>7,340,858</u>
LONG-TERM LIABILITIES		
Net pension liability	18,243,478	10,996,492
Obligation under early retirement plan, net of current	<u>572,681</u>	<u>608,958</u>
Total liabilities	<u>27,048,162</u>	<u>18,946,308</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred amount related to pension liability	<u>810,479</u>	<u>1,014,764</u>
NET POSITION		
Investment in capital assets	50,909,711	50,094,780
Unrestricted	<u>15,537,279</u>	<u>12,161,966</u>
Total net position	<u>66,446,990</u>	<u>62,256,746</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
	<u>\$ 94,305,631</u>	<u>\$ 82,217,818</u>

The accompanying notes are an integral part of the financial statements.

CHAMPAIGN-URBANA MASS TRANSIT DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
OPERATING REVENUES		
Yearly passes	\$ 6,259,800	\$ 5,937,175
Full adult fares	720,668	782,671
Rental of equipment and buildings	678,815	665,829
Student fares and school bus service	527,619	503,854
ADA services	265,464	257,044
Advertising	302,078	264,301
Half-Fare cab	65,915	93,737
C-Carts	634,243	462,674
Miscellaneous	<u>112,838</u>	<u>193,539</u>
Total operating revenues	<u>9,567,440</u>	<u>9,160,824</u>
OPERATING EXPENSES		
Operations	21,251,917	20,992,791
Maintenance	6,406,986	6,167,550
General administration	4,811,760	4,141,453
Illinois Terminal	1,179,883	1,167,562
C-Carts	634,243	462,674
Depreciation	<u>5,789,834</u>	<u>6,660,736</u>
Total operating expenses	<u>40,074,623</u>	<u>39,592,766</u>
Operating loss	<u>(30,507,183)</u>	<u>(30,431,942)</u>
NON-OPERATING REVENUES (EXPENSES)		
Property taxes	6,976,559	7,413,228
State replacement taxes	181,523	227,176
State of Illinois assistance grants	21,569,083	20,848,058
Gain (loss) on disposal of equipment	22,880	(632,994)
Investment income	<u>92,330</u>	<u>36,066</u>
Total non-operating revenues	<u>28,842,375</u>	<u>27,891,534</u>
Loss before other revenues	(1,664,808)	(2,540,408)
OTHER REVENUES		
Capital grants	<u>5,855,052</u>	<u>1,636,533</u>
CHANGE IN NET POSITION	<u>4,190,244</u>	<u>(903,875)</u>
NET POSITION, BEGINNING OF YEAR	<u>62,256,746</u>	<u>63,160,621</u>
NET POSITION, END OF YEAR	<u>\$ 66,446,990</u>	<u>\$ 62,256,746</u>

The accompanying notes are an integral part of the financial statements.

CHAMPAIGN-URBANA MASS TRANSIT DISTRICT
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 8,638,694	\$ 8,050,380
Payments to vendors	(18,126,218)	(19,317,629)
Payments to employees	<u>(14,323,692)</u>	<u>(13,420,334)</u>
Net cash used by operating activities	<u>(23,811,216)</u>	<u>(24,687,583)</u>
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES		
State operating assistance grant proceeds received	20,902,875	20,848,058
Tax proceeds received	<u>7,610,405</u>	<u>7,365,768</u>
Net cash provided by non-capital and related financing activities	<u>28,513,280</u>	<u>28,213,826</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Federal and state capital grant proceeds received	5,562,834	1,344,315
Purchases of property and equipment	<u>(6,581,885)</u>	<u>(2,119,381)</u>
Net cash used by capital and related financing activities	<u>(1,019,051)</u>	<u>(775,066)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	102,603	102,161
Purchase of investments	(118,680)	(5,353,141)
Interest received	<u>92,330</u>	<u>36,066</u>
Net cash provided (used) by investing activities	<u>76,253</u>	<u>(5,214,914)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,759,266	(2,463,737)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>15,220,202</u>	<u>17,683,939</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 18,979,468</u>	<u>\$ 15,220,202</u>

	<u>2016</u>	<u>2015</u>
RECONCILIATION OF OPERATING LOSS TO		
NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	\$ (30,507,183)	\$ (30,431,942)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	5,789,834	6,660,736
(Increase) decrease in assets:		
Receivables	(928,746)	(1,110,444)
Inventories	(139,058)	24,596
Prepaid expenses	75,844	(950,858)
Increase (decrease) in deferred outflow of resources	(5,999,476)	(2,799,024)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	53,849	(283,103)
Unredeemed yearly passes and tokens	313	(2,045)
Pension liability	7,246,986	1,846,576
Obligations to employees under early retirement and incentive plans	(9,616)	138,870
Other current liabilities	810,322	1,204,291
Increase (decrease) in deferred inflows of resources	<u>(204,285)</u>	<u>1,014,764</u>
Net adjustments	<u>6,695,967</u>	<u>5,744,359</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (23,811,216)</u>	<u>\$ (24,687,583)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO		
STATEMENT OF NET POSITION		
Cash and cash equivalents	\$ 9,259,017	\$ 9,092,123
Capital reserves-cash and cash equivalents	<u>9,720,451</u>	<u>6,128,079</u>
TOTAL	<u>\$ 18,979,468</u>	<u>\$ 15,220,202</u>

The District had a non-cash contribution of property and equipment totaling \$100,000 during fiscal year 2015.

The accompanying notes are an integral part of the financial statements.

CHAMPAIGN URBANA MASS TRANSIT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District are prepared in accordance with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board (GASB) is responsible for establishing accounting principles generally accepted in the United States of America for state and local governments.

For purposes of preparing the statements of cash flows, restricted and unrestricted currency, demand deposits, and money market accounts are considered cash and cash equivalents.

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.

CHAMPAIGN URBANA MASS TRANSIT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The District levies property taxes each year, on all taxable real property located within the District's boundaries, on or before the last Tuesday in December. The 2015 tax levy was passed by the board of trustees on December 9, 2015. Property taxes attach as an enforceable lien on property as of January 1 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, 2016 and 2015 was from the 2015 and 2014 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, 2016 and 2015, 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.

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

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.

Operating grant revenue is recognized as it is earned. Capital grant revenue is recorded as capital grant expenditures are incurred.

Inventories are stated at the lower of average cost or market. Cost is determined on a first-in, first-out (FIFO) basis.

Property and equipment are recorded at cost. 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 \$5,000 per unit. Maintenance, repairs, and minor additions and expenditures are expensed when incurred. The District provides for depreciation using the straight-line method over the estimated useful lives of the assets.

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 year 2016 or 2015.

CHAMPAIGN URBANA MASS TRANSIT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 3 - CASH AND CASH EQUIVALENTS AND INVESTMENTS

Custodial Credit Risk – Bank Deposits

Custodial credit risk is the risk that in the event of a bank 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, 2016 and 2015 the District's bank balances of \$20,149,592 and \$14,056,638, respectively, were fully collateralized.

Credit Risk and Interest Rate Risk – External Investment Pools

The credit risk of investments is addressed by the District's investment policy by limiting investments to instruments, bonds, corporate obligations, municipal corporation obligations, and government obligations carrying an "investment grade" rating within the upper two tiers of ratings issued by Moody's (Aa or better) or Standard and Poor's (AA or better).

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.

As of June 30, the District did not invest more than 5% of its total investment portfolio in any one issuer.

**CHAMPAIGN URBANA MASS TRANSIT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016 and 2015**

NOTE 3 - CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Credit Risk and Interest Rate Risk – External Investment Pools (Continued)

At June 30, 2015, the District held \$2,477,458 in the Illinois Funds Money Market and Prime Funds, which reconciled to a book balance of \$2,477,458. Both accounts were closed during fiscal year 2016. The fair value of the District's position in these funds is equal to the value of the District's fund shares. The portfolios are regulated by oversight of the Treasurer of the state of Illinois and private rating agencies. These portfolios have AAAM ratings from Standard and Poor's, which is the highest rating for an external investment pool. The assets of the funds are mainly invested in securities issued by the United States government or agencies related to the United States. Assets of the funds not invested in United States government securities are fully collateralized by pledged securities. The time to maturity of the investments in these external investment pools averages less than one year. These are included as cash equivalents on the statement of net position.

Investment Detail

Investments include 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 included in current and other assets on the balance sheet. As of June 30, 2016 and 2015, the District had the following investments and maturities:

	<u>June 30, 2016</u>		
	<u>Investment Maturities in Years</u>		
	<u>Fair Value</u>	<u>Less than 1 Year</u>	<u>1 to 5 Years</u>
Investments grade certificates of deposit – Capital Reserves	<u>\$ 5,369,218</u>	<u>\$ 2,278,293</u>	<u>\$ 3,090,925</u>
		<u>June 30, 2015</u>	
		<u>Investment Maturities in Years</u>	
	<u>Fair Value</u>	<u>Less than 1 Year</u>	<u>1 to 5 Years</u>
Certificate of deposit	<u>\$ 102,603</u>	<u>\$ 102,603</u>	<u>\$ -</u>
Investment grade certificates of deposits – Capital Reserves	<u>\$ 5,250,538</u>	<u>\$ 1,250,848</u>	<u>\$ 3,999,690</u>

Custodial Credit Risk – Investments

At June 30, 2016, the District had no custodial credit risk.

CHAMPAIGN URBANA MASS TRANSIT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE 4 - FAIR VALUE MEASUREMENT

The District categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant and observable inputs; Level 3 inputs are significant unobservable inputs.

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

- Certificates of deposit (negotiable) of \$5,369,218 are significant and observable (Level 2 inputs)

NOTE 5 - RECEIVABLES

Other receivables consist of the following:

	<u>2016</u>	<u>2015</u>
Interest	\$ 8,066	\$ 6,015
Capital grants	2,414,240	1,090,248
Employees	3,121	995
University of Illinois	264,542	42,337
Trade	383,693	134,771
State replacement tax	37,446	37,292
Miscellaneous	<u>99,457</u>	<u>677,943</u>
Total other receivables	<u>\$ 3,210,565</u>	<u>\$ 1,989,601</u>

Operating Assistance Grants

During the years ended June 30, 2016 and 2015, the Illinois Department of Transportation (IDOT) reimbursed the District for up to 65%, 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.

**CHAMPAIGN URBANA MASS TRANSIT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016 and 2015**

NOTE 5 - RECEIVABLES (CONTINUED)

As of June 30, 2016 and 2015, the estimated amounts (due to) and due from IDOT, respectively, are as follows:

	<u>2016</u>	<u>2015</u>
Fiscal Year 2016 grant agreement	\$ 1,346,334	\$ -
Fiscal year 2015 grant agreement	(16,229)	69,770
Fiscal year 2014 grant agreement	(26,530)	(26,530)
Fiscal year 2013 grant agreement	(65,146)	(65,146)
Fiscal year 2012 grant agreement	<u>(572,221)</u>	<u>(572,221)</u>
Total	<u><u>\$ 666,208</u></u>	<u><u>\$ (594,127)</u></u>

NOTE 6 - INVENTORIES

Inventories consist of the following:

	<u>2016</u>	<u>2015</u>
Materials and supplies	\$ 960,577	\$ 810,418
Fuel and lubricant	<u>62,953</u>	<u>74,054</u>
Total	<u><u>\$ 1,023,530</u></u>	<u><u>\$ 884,472</u></u>

**CHAMPAIGN URBANA MASS TRANSIT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016 and 2015**

NOTE 7 - PROPERTY AND EQUIPMENT, NET

Property and equipment, and the changes therein, consist of the following, for each fiscal year:

	<u>June 30,</u> <u>2015</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30,</u> <u>2016</u>
Assets not being depreciated:				
Land	\$ 1,475,159	\$ -	\$ -	\$ 1,475,159
Construction in progress	2,726,401	6,633,448	864,973	8,494,876
Assets being depreciated:				
Land improvements	47,415	-	4,387	43,028
Office, garage, and building facilities	35,889,987	675,356	-	36,565,343
Revenue vehicles	48,830,089	100,000	164,969	48,765,120
Service vehicle	361,428	-	5,870	355,558
Passenger shelters	2,395,873	89,593	50,826	2,434,640
Other equipment	<u>5,277,055</u>	<u>12,391</u>	<u>49,322</u>	<u>5,240,124</u>
Total property and equipment	97,003,407	7,510,788	1,140,347	103,373,848
Less accumulated depreciation	<u>46,908,627</u>	<u>5,789,834</u>	<u>234,324</u>	<u>52,464,137</u>
Property and equipment, net	<u>\$ 50,094,780</u>	<u>\$ 1,720,954</u>	<u>\$ 906,023</u>	<u>\$ 50,909,711</u>

**CHAMPAIGN URBANA MASS TRANSIT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016 and 2015**

NOTE 7 - PROPERTY AND EQUIPMENT, NET (CONTINUED)

	June 30, <u>2014</u>	<u>Additions</u>	<u>Disposals</u>	June 30, <u>2015</u>
Assets not being depreciated:				
Land	\$ 1,475,159	\$ -	\$ -	\$ 1,475,159
Construction in progress	1,602,508	2,091,068	967,175	2,726,401
Assets being depreciated:				
Land improvements	47,415	-	-	47,415
Office, garage, and building facilities	37,533,420	894,620	2,538,053	35,889,987
Revenue vehicles	49,299,952	-	469,863	48,830,089
Service vehicle	380,385	35,117	54,074	361,428
Passenger shelters	2,307,574	88,299	-	2,395,873
Other equipment	<u>5,302,228</u>	<u>31,009</u>	<u>56,182</u>	<u>5,277,055</u>
Total property and equipment	97,948,641	3,140,113	4,085,347	97,003,407
Less accumulated depreciation	<u>42,679,512</u>	<u>6,660,736</u>	<u>2,431,621</u>	<u>46,908,627</u>
Property and equipment, net	<u>\$ 55,269,129</u>	<u>\$(3,520,623)</u>	<u>\$ 1,653,726</u>	<u>\$ 50,094,780</u>

NOTE 8 - 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 \$2,902,272 and \$2,595,767 at June 30, 2016 and 2015, 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.

**CHAMPAIGN URBANA MASS TRANSIT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016 and 2015**

NOTE 8 - ACCRUED COMPENSATED ABSENCES LIABILITY (CONTINUED)

Any salaried employees 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% after five years of service up to 50% 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.

NOTE 9 - LINE OF CREDIT

As of June 30, 2016, the District had one line of credit, with a borrowing limit of \$4,000,000. The line of credit matures on December 15, 2016 and bears interest at a varying rate equal to London Interbank Offered Rate (LIBOR) plus 2.50 basis points with a minimum rate of 3.0%. The rate was 3.0% at June 30, 2016. This line of credit is secured by substantially all assets of the District. As of June 30, 2016, there was no outstanding balance.

As of June 30, 2015, the District had one line of credit, with a borrowing limit of \$4,000,000. The line of credit matured on November 29, 2015 with interest at a varying rate equal to LIBOR plus 2.50 basis points with a minimum rate of 3.0%. The rate was 3.0% at June 30, 2015. This line of credit was secured by substantially all assets of the District. As of June 30, 2015, there was no outstanding balance.

NOTE 10 - UNRESTRICTED NET POSITION

Unrestricted net position consists of the following:

	<u>2016</u>	<u>2015</u>
Board designated for capital reserves	\$15,089,669	\$11,908,617
Undesignated	<u>447,610</u>	<u>253,349</u>
Total unrestricted net position	<u>\$ 15,537,279</u>	<u>\$ 12,161,966</u>

CHAMPAIGN URBANA MASS TRANSIT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE 11 - LEASE REVENUE

The District is the lessor of office and retail space under operating leases expiring in various years through 2026. 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 \$38,083,530 and \$20,041,295, respectively, at June 30, 2016.

Minimum future rentals to be received on non-cancelable leases are as follows:

Fiscal Year Ending June 30

2017	\$ 611,361
2018	303,454
2019	222,978
2020	86,973
2021	40,332
Thereafter	<u>167,481</u>
Total	<u>\$ 1,432,579</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.

NOTE 12 - LEASE COMMITMENTS

The District leases furniture, equipment, and vehicles under various non-cancelable operating leases, expiring at various times between November 2016 and October 2031. Future minimum lease payments under these operating leases are as follows:

Fiscal Year Ending June 30

2017	\$ 290,676
2018	149,342
2019	128,384
2020	102,000
2021	102,000
Thereafter	<u>994,500</u>
Total	<u>\$ 1,766,902</u>

Total rental expense for operating leases for the years ended June 30, 2016 and 2015 was \$339,640 and \$242,015, respectively.

**CHAMPAIGN URBANA MASS TRANSIT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016 and 2015**

NOTE 13 - OBLIGATIONS UNDER INCENTIVE AND EARLY RETIREMENT PLANS

Early Retirement Plan

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 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, 2016 and 2015, the District has recorded an expense of \$177,167 and \$339,973, respectively, including the present value of expected future payments at June 30 using an interest rate of 1.0021%. The District had a liability of \$780,251 and \$789,867, respectively, related to this plan at June 30, 2016 and 2015.

Projected future payments for the early retirement plan liability are as follows:

Fiscal Year Ending June 30

2017	\$ 207,570
2018	246,205
2019	256,386
2020	<u>70,090</u>
Total	<u>\$ 780,251</u>

The following is a summary of changes in incentive and early retirement plan obligations for the years ended June 30, 2016 and 2015:

	<u>June 30,</u> <u>2015</u>	<u>Provision</u>	<u>Payment</u>	<u>June 30,</u> <u>2016</u>	<u>Due Within</u> <u>One Year</u>
Incentive and early retirement plans	<u>\$ 789,867</u>	<u>\$ 158,107</u>	<u>\$ 167,723</u>	<u>\$ 780,251</u>	<u>\$ 207,570</u>
	<u>June 30,</u> <u>2014</u>	<u>Provision</u>	<u>Payment</u>	<u>June 30,</u> <u>2015</u>	
Incentive and early retirement Plans	<u>\$ 650,997</u>	<u>\$ 349,249</u>	<u>\$ 210,379</u>	<u>\$ 789,867</u>	

CHAMPAIGN URBANA MASS TRANSIT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE 14 - PENSION FUND COMMITMENTS

IMRF Plan Description

The District's defined benefit pension plan for regular employees, a multi-employer agent plan, 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 multiemployer public pension fund. A summary of IMRF's pension benefits is provided in the "Benefits Provided" section of this document. 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 participate in the Regular Plan (RP). The Sheriff's Law Enforcement Personnel (SLEP) plan is for sheriffs, deputy sheriffs, and selected police chiefs. Counties could adopt the Elected County Official (ECO) plan for officials elected prior to August 8, 2011 (the ECO plan was closed to new participants after that date). The District participates in the Regular Plan only.

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 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% 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% 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 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% 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% of the original pension amount, or
- 1/2 of the increase in the Consumer Price Index of the original pension amount.

**CHAMPAIGN URBANA MASS TRANSIT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016 and 2015**

NOTE 14 - PENSION FUND COMMITMENTS (CONTINUED)

Employees Covered by Benefit Terms

As of December 31, 2015, the following employees were covered by the benefit terms:

Retirees and Beneficiaries currently receiving benefits	139
Inactive Plan Members entitled to but not yet receiving benefits	112
Active Plan Members	<u>332</u>
Total	583

Contributions

As set by statute, the District's Regular Plan Members are required to contribute 4.5% 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 2015 was 13.13%. For the calendar year ended 2015, the District contributed \$2,650,658 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, 2015. 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, 2015:

- The **Actuarial Cost Method** used was Entry Age Normal.
- The **Asset Valuation Method** used was Market Value of Assets.
- The **Inflation Rate** was assumed to be 3.5%.
- **Salary Increases** were expected to be 3.75% to 14.50%, including inflation.
- The **Investment Rate of Return** was assumed to be 7.50%.
- **Projected Retirement Age** was from the Experience-based Table of Rates, specific to the type of eligibility condition, last updated for the 2015 valuation according to an experience study from years 2012 to 2014.
- The IMRF-specific rates for **Mortality** (for non-disabled retirees) were developed from the RP-2015 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience.

**CHAMPAIGN URBANA MASS TRANSIT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016 and 2015**

NOTE 14 - PENSION FUND COMMITMENTS (CONTINUED)

Actuarial Assumptions (Continued)

- For **Disabled Retirees**, an IMRF-specific mortality table was used with fully generational projection scale MP-2015 (base year 2015). The IMRF-specific rates were developed from the RP-2015 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-2015 (base year 2015). The IMRF-specific rates were developed from the RP-2015 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 percentage 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:

<u>Asset Class</u>	<u>Portfolio Target Percentage</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	38.0%	7.39%
International Equity	17.0%	7.59%
Fixed Income	27.0%	3.00%
Real Estate	8.0%	6.00%
Alternative Investments	9.0%	2.75-8.15%
Cash Equivalents	<u>1.0%</u>	2.25%
Total	100%	

Single Discount Rate

A Single Discount Rate of 7.50% 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%, the municipal bond rate is 3.57%, and the resulting single rate discount rate is 7.46%.

CHAMPAIGN URBANA MASS TRANSIT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE 14 - PENSION FUND COMMITMENTS (CONTINUED)

Changes in the Net Pension Liability

For fiscal year June 30, 2016:

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) – (B)
Balances at December 31, 2014	\$ 73,289,707	\$ 62,293,215	\$ 10,996,492
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>\$ 81,111,505</u>	<u>\$ 62,868,027</u>	<u>\$ 18,243,478</u>

**CHAMPAIGN URBANA MASS TRANSIT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016 and 2015**

NOTE 14 - PENSION FUND COMMITMENTS (CONTINUED)

For fiscal year June 30, 2015:

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) – (B)
Balances at December 31, 2013	\$ 67,517,176	\$ 58,367,260	\$ 9,149,916
Changes for the year:			
Service Cost	1,891,042	-	1,766,692
Interest on the Total Pension Liability	5,035,213	-	5,432,618
Changes on Benefit Terms	-	-	-
Differences Between Expected and Actual Experience of the Total Pension Liability	(1,219,049)	-	3,506,838
Changes of Assumptions	2,539,109	-	204,603
Contributions - Employer	-	2,276,611	(2,650,658)
Contributions - Employees	-	731,426	(789,705)
Net Investment Income	-	3,576,698	(4,681,834)
Benefit Payments, including Refunds of Employee Contributions	(2,473,784)	(2,473,784)	-
Other (Net Transfer)	-	(184,996)	184,996
Net Changes	<u>5,772,531</u>	<u>3,925,955</u>	<u>1,846,576</u>
Balances at December 31, 2014	<u>\$ 73,289,707</u>	<u>\$ 62,293,215</u>	<u>\$ 10,996,492</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 7.46% and 7.48% for 2015 and 2014 respectively, as well as what the plan's net pension liability would be if it were calculated using a Single Discount Rate that is 1% lower of 1% higher.

	<u>December 31,</u> <u>2015</u>		
	1% Lower (6.46%)	Current Discount (7.46%)	1% Higher (8.46%)
Net Pension Liability	\$ 29,378,901	\$ 18,243,478	\$ 9,083,745

	<u>December 31,</u> <u>2014</u>		
	1% Lower (6.48%)	Current Discount (7.48%)	1% Higher (8.48%)
Net Pension Liability	\$ 21,150,143	\$ 10,996,492	\$ 2,672,766

**CHAMPAIGN URBANA MASS TRANSIT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016 and 2015**

NOTE 14 - PENSION FUND COMMITMENTS (CONTINUED)

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

For the year ended June 30, 2016, the District recognized pension expense of \$3,701,049. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Deferred Amounts Related to Pensions</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<i>Deferred Amounts to be Recognized in Pension Expense in Future Periods</i>		
Differences between expected and actual experience	\$ 2,914,937	\$ 810,479
Changes of assumptions	1,858,184	-
Net difference between projected and actual earnings on pension plan investments	<u>3,983,957</u>	<u>-</u>
Total Deferred Amounts to be recognized in pension expense in future periods	<u>8,757,078</u>	<u>810,479</u>
<i>Pension Contributions made subsequent to the Measurement Date</i>	<u>1,091,450</u>	<u>-</u>
Total Deferred Amounts Related to Pensions	<u>\$9,848,528</u>	<u>\$ 810,479</u>

\$1,091,450 reported as deferred outflows of resources related to pensions resulted 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future periods as follows:

<u>Year Ending December 31</u>	<u>Net Deferred Outflows of Resources</u>
2016	\$ 1,884,334
2017	1,884,334
2018	1,884,334
2019	1,714,332
2020	<u>579,266</u>
Total	<u>\$ 7,946,599</u>

**CHAMPAIGN URBANA MASS TRANSIT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016 and 2015**

NOTE 15 - SELF INSURANCE

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, 2016 and 2015 totaled \$921,334 and \$962,900, 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, 2016 and 2015, the District had a claims liability balance of \$197,483 and \$442,243, respectively, for expected additional claims payable. Losses and claims recognized for the years ended June 30, 2016 and 2015 totaled \$317,019 and \$433,610, respectively. The District purchases insurance coverage for worker's compensation to cover claims in excess of \$450,000 with a statutory aggregate limit for worker'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, 2016 and 2015:

	June 30, 2015	Provision	Payment	June 30, 2016
Self-Insurance				
Claims liability	<u>\$ 442,243</u>	<u>\$ 72,259</u>	<u>\$ 317,019</u>	<u>\$ 197,483</u>
	June 30, 2014	Provision	Payment	June 30, 2015
Self-Insurance				
Claims liability	<u>\$ 222,749</u>	<u>\$ 653,104</u>	<u>\$ 433,610</u>	<u>\$ 442,243</u>

NOTE 16 - MAJOR CUSTOMER

Yearly passes revenue for the years ended June 30, 2016 and 2015 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, 2016 and 2015 was \$6,052,122 and \$5,729,770 respectively. At June 30, 2016 and 2015, amounts due from the University of Illinois included in accounts receivable were \$264,542 and \$42,337, respectively.

**CHAMPAIGN URBANA MASS TRANSIT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016 and 2015**

NOTE 17 - COMMITMENTS

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

<u>Purpose</u>	<u>Contract Amount</u>	<u>Incurred Through June 30, 2016</u>	<u>Remaining Commitment</u>
Land purchases	\$ 1,166,000	\$ -	\$ 1,166,000
Maintenance expansion	9,002,093	7,024,672	1,977,421
Fleet buses	<u>7,215,570</u>	<u>-</u>	<u>7,215,570</u>
Total	<u>\$17,383,663</u>	<u>\$ 7,024,672</u>	<u>\$10,358,991</u>

NOTE 18 - CONTINGENCIES

The District is involved in several worker compensation claims with current and former employees. As of June 30, 2016 and 2015, the District has recorded a liability of \$197,483 and \$442,243, respectively, for anticipated additional claims expense as stated in Note 15. An estimate of any additional potential loss cannot be made. The District is involved with several other liability claims for which any final settlement is expected to be covered by insurance.

NOTE 19 - RESTATEMENT OF 2015 FINANCIAL STATEMENTS

The June 30, 2015 financial statements have been restated to correct a liability for claims payable recorded in fiscal year 2015, which the District has determined will be covered by the insurance pool reserve fund. This also resulted in a change in the eligible expenses included within the 2015 downstate operating assistance grant report and the related grant liability. The effect of the restatement was to decrease June 30, 2015 expenditures by \$530,000, from \$40,122,766 previously reported to \$39,592,766, decrease June 30, 2015 non-operating revenues by \$344,500, from \$28,236,034 previously reported to \$27,891,534, and increase June 30, 2015 net position by \$185,500, from \$62,071,246 previously reported to \$62,256,746.

The accompanying notes are an integral part of the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**CHAMPAIGN-URBANA MASS TRANSIT DISTRICT
SCHEDULE OF EMPLOYER CONTRIBUTIONS (UNAUDITED)
ILLINOIS MUNICIPAL RETIREMENT FUND**

Fiscal Year	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2016	\$ 2,302,597	\$ 2,657,823	\$ (355,226)	\$ 17,536,916	15.16%
2015	\$ 1,996,889	\$ 2,310,868	\$ (279,722)	\$ 15,860,912	14.35%

Additional years will be added to this schedule until 10 years of data is presented.

**CHAMPAIGN-URBANA MASS TRANSIT DISTRICT
SCHEDULE OF CHANGES IN THE NET PENSION
LIABILITY AND RELATED RATIOS (UNAUDITED)
ILLINOIS MUNICIPAL RETIREMENT FUND**

Calendar Year Ended December 31,	<u>2015</u>	<u>2014</u>
Total pension liability		
Service cost	\$ 1,766,692	\$ 1,891,042
Interest on total pension liability	5,432,618	5,035,213
Difference between expected and actual experience	3,506,838	(1,219,049)
Assumption changes	204,603	2,539,109
Benefit payments and refunds	<u>(3,088,953)</u>	<u>(2,473,784)</u>
Net change in total pension liability	7,821,798	5,772,531
Total pension liability - beginning	<u>73,289,707</u>	<u>67,517,176</u>
Total pension liability - ending (A)	<u>\$ 81,111,505</u>	<u>\$ 73,289,707</u>
Plan fiduciary net position		
Employer contributions	\$ 2,650,658	\$ 2,276,611
Employee contributions	789,705	731,426
Pension plan net investment income	4,681,834	3,576,698
Benefit payments and refunds	(7,458,442)	(2,473,784)
Other	<u>(88,943)</u>	<u>(184,996)</u>
Net change in plan fiduciary net position	574,812	3,925,955
Plan fiduciary net position, beginning	<u>62,293,215</u>	<u>58,367,260</u>
Plan fiduciary net position, ending (B)	<u>\$ 62,868,027</u>	<u>\$ 62,293,215</u>
Net pension liability, ending (A) - (B)	\$ 18,243,478	\$ 10,996,492
Plan fiduciary net position as a percentage of the total pension liability	77.51%	85.00%
Covered valuation payroll	\$ 17,536,916	\$ 15,860,912
Net pension liability as a percentage of covered valuation payroll	104.03%	69.30%

Additional years will be added to this schedule annually until 10 years of data is presented.

**CHAMPAIGN-URBANA MASS TRANSIT DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

Summary of Actuarial Methods and Assumptions Used In the Calculations of the 2015 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 2015 Contribution Rates:

<i>Actuarial Cost Method:</i>	Aggregate entry age = normal
<i>Amortization Method:</i>	Level percentage of payroll, closed
<i>Remaining Amortization Period:</i>	28-year closed period
<i>Asset Valuation Method:</i>	5-year smoothed market; 20% corridor
<i>Wage Growth:</i>	4%
<i>Price Inflation:</i>	3% approximate; No explicit price inflation assumption is used in this valuation.
<i>Salary Increases:</i>	4.40% to 16%, including inflation
<i>Investment Rate of Return:</i>	7.50%
<i>Retirement Age:</i>	Experience-based table of rates that are specific to the type of eligibility condition; last updated for the 2011 valuation pursuant to an experience study of the period 2008 to 2010.
<i>Mortality:</i>	RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA. For men, 120% of the table rates were used. For women, 92% of the table rates were used. For disabled lives, the mortality rates are the rates applicable to non-disabled lives set forward 10 years

Other Information:

Notes: There were no benefit changes during the year.

*Based on Valuation Assumptions used in the December 31, 2013, actuarial valuation; note two year lag between valuation and rate setting.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

SUPPLEMENTARY INFORMATION

CHAMPAIGN-URBANA MASS TRANSIT DISTRICT
SCHEDULES OF OPERATING EXPENSES
Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operations		
Wages:		
Operators	\$ 8,438,627	\$ 8,273,533
Street supervisors and dispatchers	1,038,283	882,784
Other supervisors	733,768	555,151
Clerical	245,416	223,612
Labor credit	(42,320)	(40,985)
Total wages	<u>10,413,774</u>	<u>9,894,095</u>
Fringe Benefits:		
Paid absences	2,190,234	2,484,516
Health and dental insurance	2,424,450	1,972,877
Illinois Municipal Retirement Fund	2,695,404	1,830,887
Social Security tax	920,852	936,548
Workers' compensation insurance and claims	(61,668)	416,390
Uniform allowances	33,135	39,864
Unemployment insurance	37,003	40,880
Early retirement plan	93,467	232,276
Other fringe benefits	41,746	47,525
Total fringe benefits	<u>8,374,623</u>	<u>8,001,763</u>
Services:		
ADA	567,206	533,768
Taxi	137,446	187,880
Printing	60,312	71,153
Other services	19,974	18,628
Total services	<u>784,938</u>	<u>811,429</u>
Materials and Supplies Consumed:		
Fuel and lubrications	1,319,592	2,007,171
Tires and tubes	143,487	142,375
Small equipment	23,922	14,627
Other materials and supplies consumed	41,273	27,637
Total materials and supplies consumed	<u>1,528,274</u>	<u>2,191,810</u>
Miscellaneous:		
Leased equipment	126,254	87,050
Other	24,054	6,644
Total miscellaneous	<u>150,308</u>	<u>93,694</u>
TOTAL OPERATIONS	<u>\$ 21,251,917</u>	<u>\$ 20,992,791</u>

**CHAMPAIGN-URBANA MASS TRANSIT DISTRICT
SCHEDULES OF OPERATING EXPENSES
Years Ended June 30, 2016 and 2015**

<u>Continued</u>	<u>2016</u>	<u>2015</u>
Maintenance		
Wages:		
Mechanics	\$ 1,074,773	\$ 1,004,225
Cleaners	564,881	609,739
Supervisors and clerical	467,268	488,828
Total wages	<u>2,106,922</u>	<u>2,102,792</u>
 Fringe Benefits:		
Health and dental insurance	556,642	513,712
Paid absences	441,772	290,237
Illinois Municipal Retirement Fund	733,559	450,158
Social Security tax	199,343	189,238
Workers' compensation insurance and claims	345,296	60,341
Uniform and tools allowance	25,448	26,913
Unemployment insurance	7,705	9,322
Early retirement	100,979	54,423
Other fringe benefits	11,545	10,751
Total fringe benefits	<u>2,422,289</u>	<u>1,605,095</u>
 Services:		
Contract maintenance	103,854	107,640
Other services	2,617	3,671
Total services	<u>106,471</u>	<u>111,311</u>
 Materials and Supplies Consumed:		
Revenue vehicles repairs	1,333,532	1,831,504
Buildings and grounds repairs	114,831	126,033
Service supplies	36,644	54,883
Fuel and lubricants	90,475	127,644
Service vehicles repairs	19,379	17,315
Shop tools	17,434	19,241
Passenger shelter repairs	79,802	64,855
Garage equipment repairs	26,900	50,581
Other materials and supplies consumed	18,916	27,793
Total materials and supplies consumed	<u>1,737,913</u>	<u>2,319,849</u>
 Miscellaneous:		
Leased equipment	18,946	24,174
Other	14,445	4,329
Total miscellaneous	<u>33,391</u>	<u>28,503</u>
 TOTAL MAINTENANCE	 <u><u>\$ 6,406,986</u></u>	 <u><u>\$ 6,167,550</u></u>

CHAMPAIGN-URBANA MASS TRANSIT DISTRICT
SCHEDULES OF OPERATING EXPENSES
Years Ended June 30, 2016 and 2015

<u>Continued</u>	<u>2016</u>	<u>2015</u>
General Administration		
Wages:		
Supervisors	\$ 951,572	\$ 815,710
Clerical	<u>280,821</u>	<u>195,450</u>
Total wages	<u>1,232,393</u>	<u>1,011,160</u>
Fringe Benefits:		
Health and dental insurance	197,595	207,800
Illinois Municipal Retirement Fund	382,802	170,381
Social Security tax	83,468	65,218
Unemployment insurance	2,681	3,103
Workers' compensation insurance and claims	5,314	(4)
Early retirement	(17,279)	-
Other fringe benefits	<u>21,870</u>	<u>61,045</u>
Total fringe benefits	<u>676,451</u>	<u>507,543</u>
Services:		
Professional and technical	987,228	605,413
Contract maintenance	391,078	360,241
Printing	856	1,689
Other services	<u>(118,101)</u>	<u>46,091</u>
Total services	<u>1,261,061</u>	<u>1,013,434</u>
Materials and Supplies Consumed:		
Small equipment	2,805	21,325
Buildings and grounds repair	-	-
Office supplies	<u>14,383</u>	<u>25,451</u>
Total materials and supplies consumed	<u>17,188</u>	<u>46,776</u>
Casualty and Liability Costs:		
Uninsured public liability	430,928	396,118
Public liability and property damage insurance	385,068	336,389
Physical damage insurance	42,119	39,460
Insurance and property damage recoveries	(18,324)	(47,097)
Other insurance	<u>25,751</u>	<u>24,000</u>
Total casualty and liability costs	<u>865,542</u>	<u>748,870</u>

**CHAMPAIGN-URBANA MASS TRANSIT DISTRICT
SCHEDULES OF OPERATING EXPENSES
Years Ended June 30, 2016 and 2015**

<u>Continued</u>	<u>2016</u>	<u>2015</u>
Miscellaneous:		
Utilities	\$ 273,229	\$ 291,937
Leased equipment	173,008	114,107
Advertising	213,993	154,578
Dues and subscriptions	65,755	58,650
Travel and meetings	69,252	65,612
Interest expense	-	-
Other	(36,112)	128,786
Total miscellaneous	<u>759,125</u>	<u>813,670</u>
TOTAL GENERAL ADMINISTRATION	<u>\$ 4,811,760</u>	<u>\$ 4,141,453</u>
Illinois Terminal		
Wages:		
Supervisors	\$ 99,817	\$ 117,963
Cleaners	118,061	93,292
Security	127,115	137,843
Clerical	115,015	147,636
Total wages	<u>460,008</u>	<u>496,734</u>
Fringe Benefits:		
Paid absences	23,679	26,046
Health and dental insurance	143,134	94,624
Illinois Municipal Retirement Fund	145,079	78,772
Social Security tax	37,724	42,823
Uniform and tool allowances	3,226	5,868
Workers' compensation insurance and claims	35,480	18,760
Early retirement	-	53,274
Other fringe benefits	4,463	1,524
Total fringe benefits	<u>392,785</u>	<u>321,691</u>
Services:		
Contract maintenance	43,500	38,707
Professional services	1,235	7,049
Other services	8,696	6,501
Total services	<u>53,431</u>	<u>52,257</u>

**CHAMPAIGN-URBANA MASS TRANSIT DISTRICT
SCHEDULES OF OPERATING EXPENSES
Years Ended June 30, 2016 and 2015**

<u>Continued</u>	<u>2016</u>	<u>2015</u>
Materials and Supplies Consumed:		
Buildings and grounds repairs	\$ 91,453	\$ 88,648
Services supplies	24,534	27,271
Shop tools	13,529	20,910
Other materials and supplies consumed	2,855	5,512
Total materials and supplies consumed	<u>132,371</u>	<u>142,341</u>
Miscellaneous:		
Utilities	112,179	133,215
Other	29,109	21,324
Total miscellaneous	<u>141,288</u>	<u>154,539</u>
TOTAL ILLINOIS TERMINAL	<u>\$ 1,179,883</u>	<u>\$ 1,167,562</u>
Depreciation		
Revenue vehicles, fareboxes, and radios	\$ 3,442,936	\$ 4,295,673
Office and garage facilities	1,735,705	1,691,383
Office and garage equipment	172,713	215,107
Service vehicles	25,388	53,585
Other equipment	413,092	404,988
TOTAL DEPRECIATION	<u>\$ 5,789,834</u>	<u>\$ 6,660,736</u>
C-Carts		
Wages:		
Supervisors	\$ 34,398	\$ 40,984
Operators	275,695	158,204
Training	9,060	6,300
Clerical	4,322	25,980
Total wages	<u>323,475</u>	<u>231,468</u>

CHAMPAIGN-URBANA MASS TRANSIT DISTRICT
SCHEDULES OF OPERATING EXPENSES
Years Ended June 30, 2016 and 2015

<u>Continued</u>	<u>2016</u>	<u>2015</u>
Fringe Benefits:		
Health and dental insurance	\$ 18,695	\$ 12,269
Illinois Municipal Retirement Fund	36,835	22,028
Social Security tax	24,031	16,543
Uniform and tool allowances	1,275	985
Other fringe benefits	447	92
Paid absences	7,363	8,645
Workers compensation	3,570	82
Unemployment allowance	2,864	2,458
Total fringe benefits	95,080	63,102
Services:		
Professional services	16,223	17,271
Contractual maintenance	2,812	1,843
Printing	262	112
Other services	14	190
Total services	19,311	19,416
Materials and Supplies Consumed:		
Buildings and grounds repairs	124	1,155
Office supplies	1,208	1,074
Fuel and lubricants	72,247	58,148
Repairs and maintenance	63,982	46,720
Tires and tubes	7,121	4,501
Small tools and equipment	5,921	2,219
Total materials and supplies consumed	150,603	113,817
Miscellaneous:		
Utilities	515	200
Leased equipment	37,506	6,706
Bad debt	60	2,809
Other	3,331	3,003
Total miscellaneous	41,412	12,718
Casualty and Liability Costs:		
Uninsured public liability	4,158	208
Public liability and property damage insurance	204	21,945
Total casualty and liability costs	4,362	22,153
TOTAL C-CARTS	\$ 634,243	\$ 462,674

**CHAMPAIGN-URBANA MASS TRANSIT DISTRICT
SCHEDULE OF REVENUE AND EXPENSES
UNDER DOWNSTATE OPERATING ASSISTANCE GRANT OP-16-01-IL
Year Ended June 30, 2016**

Operating Revenue and Income:		
401	Passenger Fares for Transit Services	\$ 1,559,850
402	Special Transit Fares	6,279,616
403	School Bus Service	-
406	Auxiliary Revenue	344,832
407	Non-Transportation Revenue	871,632
411	State Grants and Reimbursements other than DOAP	-
413	Federal Grants and Reimbursements	-
		<u> </u>
Total Operating Revenue and Income		<u>\$ 9,055,930</u>
Operating Expenses:		
501	Labor	\$ 14,213,097
502	Fringe Benefits	11,866,148
503	Professional Services	1,501,249
504	Materials and Supplies Consumed	3,424,474
505	Utilities	385,408
506	Casualty and Liability	865,746
507	Taxes	39,361
508	Net Purchased Transportation	704,652
509	Miscellaneous Expense	310,975
511	Interest Expense	-
512	Leases, Rentals, and Purchase-Lease Payments	339,640
517	Debt Service on Equipment/Facilities	-
	Total Operating Expenses	<u>33,650,750</u>
Less: Ineligible Expenses		
	Expenses Related to the Non-Transportation Areas of Illinois Terminal	(66,101)
	Other Miscellaneous Expenses of 1101 East University	291,279
	Professional Services Not Related to Transportation Services	(687,520)
	APTA and IPTA Dues	(5,203)
	Total Ineligible Expenses	<u>(467,545)</u>
Total Eligible Operating Expenses		<u>\$ 33,183,205</u>
Total Eligible Operating Expenses		\$ 33,183,205
Total Operating Revenue and Income		<u>9,055,930</u>
Deficit		<u>\$ (24,127,275)</u>
Sixty-Five Percent of Eligible Expense		<u>\$ 21,569,083</u>

**CHAMPAIGN-URBANA MASS TRANSIT DISTRICT
SCHEDULE OF REVENUE AND EXPENSES
UNDER DOWNSTATE OPERATING ASSISTANCE GRANT OP-16-01-IL (CONTINUED)
Year Ended June 30, 2016**

Maximum Contract Amount	<u>\$ 33,234,600</u>
Eligible Downstate Operating Assistance (Deficit or Sixty-Five Percent of Eligible Expense or Maximum Contract Amount, Whichever is Less)	\$ 21,569,083
Fiscal Year 2015 Downstate Operating Assistance Received (Through June 30, 2016)	20,222,749
Fiscal Year 2015 Downstate Operating Assistance Received (Subsequent to June 30, 2016)	<u>1,297,876</u>
Fiscal Year 2016 Downstate Operating Assistance (Over) Under Paid	<u>\$ 48,458</u>

**CHAMPAIGN-URBANA MASS TRANSIT DISTRICT
 AMENDED SCHEDULE OF REVENUE AND EXPENSES
 UNDER DOWNSTATE OPERATING ASSISTANCE GRANT OP-15-01-IL
 Year Ended June 30, 2015**

Operating Revenue and Income:

401	Passenger Fares for Transit Services	\$	1,145,822
402	Special Transit Fares		5,945,878
403	School Bus Service		482,781
406	Auxiliary Revenue		308,257
407	Non-Transportation Revenue		851,478
411	State Grants and Reimbursements other than DOAP		1,573,966
413	Federal Grants and Reimbursements		<u>59,500</u>

Total Operating Revenue and Income **\$ 10,367,682**

Operating Expenses:

501	Labor	\$	13,504,781
502	Fringe Benefits		10,436,092
503	Professional Services		1,266,783
504	Materials and Supplies Consumed		4,669,486
505	Utilities		425,152
506	Casualty and Liability		748,870
507	Taxes		31,957
508	Net Purchased Transportation		721,648
509	Miscellaneous Expense		429,278
511	Interest Expense		-
512	Leases, Rentals, and Purchase-Lease Payments		235,309
517	Debt Service on Equipment/Facilities		<u>-</u>
	Total Operating Expenses		<u>32,469,356</u>

Less: Ineligible Expenses

Expenses Related to the Non-Transportation Areas of Illinois Terminal		(69,733)
Other Miscellaneous Expenses of 1101 East University		(73,270)
Professional Services Not Related to Transportation Services		(242,550)
APTA and IPTA Dues		<u>(5,151)</u>
Total Ineligible Expenses		<u>(390,704)</u>

Total Eligible Operating Expenses **\$ 32,078,652**

Total Eligible Operating Expenses	\$ 32,078,652
Total Operating Revenue and Income	<u>10,367,682</u>

Deficit **\$ 21,710,970**

Sixty-Five Percent of Eligible Expense **\$ 20,851,124**

**CHAMPAIGN-URBANA MASS TRANSIT DISTRICT
 AMENDED SCHEDULE OF REVENUE AND EXPENSES
 UNDER DOWNSTATE OPERATING ASSISTANCE GRANT OP-15-01-IL (CONTINUED)**

Maximum Contract Amount		<u>\$ 27,925,292</u>
Eligible Downstate Operating Assistance (Deficit or Sixty-Five Percent of Eligible Expense or Maximum Contract Amount, Whichever is Less)	\$	20,851,124
Fiscal Year 2015 Downstate Operating Assistance Received (Through June 30, 2015)		20,781,354
Fiscal Year 2015 Downstate Operating Assistance Received (Subsequent to June 30, 2015)		<u>85,999</u>
Fiscal Year 2015 Downstate Operating Assistance (Over) Under Paid	\$	<u>(16,229)</u>

Champaign County
Section 5311 Annual Financial Report
Operating Period July 1, 2015 to June 30, 2016
(Prepared by Champaign-Urbana Mass Transit District)
Contract Number DPT # 4607

Revenue

Line Item	Description	Total
401	Passenger Fares/ Donations	\$65,422
402	Special Transit Fares	
405	Charter Service	
406	Auxiliary Transportation	
407	Non-Transportation Revenue	
411	State Cash Grants	
430	Contributed Services	\$2,692
440	Subsidy From Other Sources	
	Total Revenue	\$68,114
	Less: Non- 5311 Operating Revenues	(\$2,692)
	Section 5311 Operating Revenue	\$65,422

Expenses

Line Item	Eligible Expenses	Actual Administrative Expenses	Actual Operating Expenses	Total
501	Labor	\$38,721	\$284,755	\$323,476
502	Fringe Benefits	\$751	\$94,329	\$95,080
503	Services	\$16,223	\$3,088	\$19,311
504.01	Fuel and Oil		\$72,631	\$72,631
504.02	Tires and Tubes		\$6,737	\$6,737
504.99	Other Materials	\$31	\$71,204	\$71,235
505	Utilities	\$515		\$515
506	Casualty and Liability	\$204	\$4,158	\$4,362
507	Taxes			\$0
508	Purchased Transportation			\$0
509	Miscellaneous	\$2,686	\$704	\$3,390
511	Interest Expense			\$0
512	Lease and Rentals		\$37,506	\$37,506
	Other:			
	Total Expenses	\$59,131	\$575,112	\$634,243

Champaign County
Operating Period July 1, 2015 to June 30, 2016
Section 5311 Grant Reimbursement

	Administrative Expenses	Operating Expenses	Total	
1) Expenses: Per Single Audit	\$59,131	\$575,112	\$634,243	
2) Less: Ineligible Expenses per Single Audit				
3) Net Eligible Expenses ((1)-(2))	\$59,131	\$575,112	\$634,243	
4) Less: Section 5311 Operating Revenues (From Page 1)		\$65,422	\$65,422	
5) Section 5311 Operating Deficit ((3)-(4))		\$509,690		
6) Section 5311 Deficit ((3)-(4))			\$568,821	
7) Section 5311 Reimbursement %	x 80%	x 50%		
				Grant Total
A) Eligible Reimbursement Per Percentages	\$47,305	\$254,845		\$302,150
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))			\$414,950	

GRANTEE MATCH SOURCES	AMOUNTS
Downstate Operating Grant	\$412,258
Local Contracts	\$0
In-Kind Services, Subsidies, Donations	\$2,692
TOTAL LOCAL MATCH (Must equal (F))	\$414,950
LOCAL TRANSIT FUNDS RETAINED (CARRY FORWARD ACCOUNT)	
BEGINNING CARRY FORWARD (C.F.A.) BALANCE	\$5,470
FY Local Transit (Local Contracts) Amounts Received	\$748
Less expended for Capital \$ Operating \$	\$0
ENDING CARRY FORWARD (C.F.A.) BALANCE	\$6,218

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

Reviewed By/PCOM: _____

Date: _____

CPA Approval: See Independent Auditors' Report

Date: See Independent Auditors' Report

CHAMPAIGN COUNTY
SCHEDULE OF REVENUE AND EXPENSE
under DOWNSTATE OPERATING ASSISTANCE GRANT OP-16-06-FED
for the Year Ended June 30, 2016

Operating Revenues and Income

401	Passenger fares for transit services	\$ 65,422
402	Special transit fares	\$ -
403	School Bus Service	\$ -
404	Freight Tariffs	\$ -
405	Total charter service revenues	\$ -
406	Auxiliary revenue	\$ -
407	Non-transportation revenue	\$ -
407 .99	Sec. 5307 force acct & admin cost reimbursement	\$ -
411	State cash grants and reimbursement - <i>other than</i> <i>Downstate Operating Assistance</i>	\$ -
412	State special fare assistance	\$ -
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	\$ 2,692
440	Subsidy from other sectors of operations	\$ -
	Total Operating Revenues	\$ 221,985

Operating Expenses

501	Labor	\$ 323,476
502	Fringe benefits	\$ 95,080
503	Professional services	\$ 19,311
504	Materials & supplies consumed	\$ 150,603
505	Utilities	\$ 515
506	Casualty & liability	\$ 4,362
507	Taxes	\$ -
508	Net purchased transportation	\$ -
509	Miscellaneous expense	\$ 3,390
511	Interest expense	\$ -
512	Leases, rentals, and purchase-lease payments	\$ 37,506
	Total Operating Expenses	\$ 634,243

Ineligible Expenses:

APTA and IPTA dues	\$
Other: _____	_____
_____	_____
_____	_____

Less Total Ineligible Expenses \$ -

Total Eligible Operating Expenses **\$ 634,243**

CHAMPAIGN COUNTY
SCHEDULE OF REVENUE AND EXPENSE
under **DOWNSTATE OPERATING ASSISTANCE GRANT OP-16-06-FED**
for the Year Ended June 30, 2016

Total Eligible Operating Expenses	<u>\$ 634,243</u>
Total Operating Revenue & Income	<u>\$ 221,985</u>
Deficit	<u>\$ 412,258</u>
65% of Eligible Expense	<u>\$ 412,258</u>
Maximum Contract Amount	<u>\$ 698,900</u>
FY 0 Eligible Downstate Operating Assistance (Deficit, 65% of eligible expense, or maximum contract amount, whichever is less)	<u>\$ 412,258</u>
FY 0 Downstate Operating Assistance Received (prior to close of fiscal year)	<u>\$ 260,578</u>
FY 0 Downstate Operating Assistance Receivable (at close of fiscal year and subsequently received)	<u>\$ 151,680</u>
FY 0 Downstate Operating Assistance (Over) Under Paid	<u><u>\$ (0)</u></u>

Prepared By: Jolene Gensler Title: Comptroller, CUMTD

Reviewed by PCOM: _____ Date: _____

Reviewed by Grantee: _____ Date: _____
Authorized Representative

CPA Approval: See Independent Auditors' Report Date: See Independent Auditors' Report

**INDEPENDENT AUDITORS' 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**

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, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 1, 2016.

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.

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. We did identify a certain deficiency in internal control, described in the paragraph below, that we consider to be a material weakness.

Prior period adjustment

During the audit, it was discovered that an estimated liability accrued related to pending litigation that was recorded as of June 30, 2015, will be paid by insurance rather than directly by the District. This also revised eligible expenses from a granting agency, reducing the grant amount. These resulted in the change in net position and net position as of June 30, 2015 being understated. Therefore, a prior period adjustment was required to remove the claim liability, correct the amount due from granting agency, and correct net position as of June 30, 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.

Corrective Action

The Comptroller and Managing Director are communicating regularly regarding pending liabilities to mitigate the risk of future potential errors.

Compliance and Other Matters

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

District's Response to the Finding

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



CliftonLarsonAllen, LLP

Champaign, Illinois
December 1, 2016