

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

**FINANCIAL STATEMENTS**  
June 30, 2014 and 2013



**CliftonLarsonAllen**

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## 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, 2014 and 2013, 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, 2014 and 2013, 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.

***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 funding progress, 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-14-01-IL is presented for purposes of additional analysis as required by the Illinois Department of Transportation and is 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, 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 November 11, 2014, 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.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen, LLP**

Champaign, Illinois  
November 11, 2014

**CHAMPAIGN-URBANA MASS TRANSIT DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2014 and 2013**

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, Urbana, Illinois 61802-2009.

**Business Overview**

The District provides several mobility services including fixed-route buses, direct van service, ADA Paratransit service and a Half-Fare Cab 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, and the Half-Fare Cab Program offers discounted cab rides taken within the MTD boundaries to seniors 65 and older and to riders with disabilities.

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.

**Financial Highlights – Fiscal Year 2014**

Fiscal year 2014 was a successful year with annual passenger ridership reaching an all-time high at 13,289,706 riders, a 10.49% increase over fiscal 2013. The District's financial condition remained stable and strong, with State of Illinois Operating Assistance fully utilized at 65% funding of all eligible operating expenses.

The District continually strives to be environmentally conscientious. During the year, the District received certification for Environmental Sustainability and Management Systems for ISO 14001:2004 Standards, and was awarded the 2013 Governor's Sustainability Award, the Illinois Green Association's Green Business Certification Award and the Champaign County Design & Conservation Foundation Award for Sustainability for our "green efforts", which included installation of 1,200 rooftop solar panels on the maintenance facility, solar lighting in bus shelters and a LED lighting conversion at Illinois Terminal.

**CHAMPAIGN-URBANA MASS TRANSIT DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2014 and 2013**

**Financial Highlights – Fiscal Year 2013**

Fiscal year 2013 was a successful year with annual passenger ridership reaching an all-time high at 12,028,172 riders, an 8.29% increase over fiscal 2012. The District's financial condition remained stable and strong, with State of Illinois Operating Assistance fully utilized at 65% funding of all eligible operating expenses.

**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.

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.



**CHAMPAIGN-URBANA MASS TRANSIT DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2014 and 2013**

**The District as a Whole**

The District's net position decreased from the prior year --- decreasing from \$72.4 million to \$71.2 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>2014</u>	<u>2013</u>	<u>2012</u>
Current and other assets	\$ 22.9	\$ 19.9	\$ 18.5
Capital assets	<u>55.3</u>	<u>58.8</u>	<u>57.8</u>
Total assets	<u>78.2</u>	<u>78.7</u>	<u>76.3</u>
Current and other liabilities	6.5	5.8	5.6
Long-term liabilities	<u>0.5</u>	<u>0.5</u>	<u>0.5</u>
Total liabilities	<u>7.0</u>	<u>6.3</u>	<u>6.1</u>
Net position			
Net investment in capital assets	55.3	58.8	57.8
Unrestricted	<u>15.9</u>	<u>13.6</u>	<u>12.4</u>
<b>Total net position</b>	<u>\$ 71.2</u>	<u>\$ 72.4</u>	<u>\$ 70.2</u>

**Fiscal Year 2014** - The District's net position decreased by 1.2% (\$71.2 million compared to \$72.4 million for fiscal 2013). Total assets decreased by \$0.5 million. Current and other assets increased by \$3.0 million and capital assets decreased by \$3.5 million.

Current liabilities increased by \$0.7 million while long-term liabilities remained constant.

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 \$2.3 million.

**Fiscal Year 2013** - The District's net position increased by 2.2% (\$72.4 million compared to \$70.2 million for fiscal 2012). Total assets increased by \$2.4 million. Current and other assets increased by \$1.4 million and capital assets increased by \$1.0 million.

Current liabilities increased by \$0.2 million while long-term liabilities remained constant.

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 \$1.2 million.

**CHAMPAIGN-URBANA MASS TRANSIT DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2014 and 2013**

**The District as a Whole (Continued)**

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Operating revenues			
Revenues from transportation services	\$ 7.1	\$ 6.8	\$ 6.7
Other operating revenues	<u>1.1</u>	<u>1.1</u>	<u>0.9</u>
Total operating revenues	<u>8.2</u>	<u>7.9</u>	<u>7.6</u>
Operating expenses			
Operations	20.3	19.7	19.0
Maintenance	5.2	5.2	4.7
General administration and Illinois Terminal	6.2	5.8	5.3
Depreciation	<u>6.8</u>	<u>6.6</u>	<u>5.4</u>
Total operating expenses	<u>38.5</u>	<u>37.3</u>	<u>34.4</u>
Operating loss	<u>(30.3)</u>	<u>(29.4)</u>	<u>(26.8)</u>
Non-operating revenue			
Taxes	6.9	7.0	6.6
Assistance grants	<u>21.2</u>	<u>23.1</u>	<u>22.4</u>
Total non-operating revenues	<u>28.1</u>	<u>30.1</u>	<u>29.0</u>
Income (loss) before other revenue	(2.2)	0.7	2.2
Other revenues			
Capital grants	<u>1.0</u>	<u>1.5</u>	<u>3.7</u>
Change in net position	(1.2)	2.2	5.9
<b>Net position, beginning of year</b>	<u>72.4</u>	<u>70.2</u>	<u>64.3</u>
<b>Net position, end of year</b>	<u>\$ 71.2</u>	<u>\$ 72.4</u>	<u>\$ 70.2</u>

**CHAMPAIGN-URBANA MASS TRANSIT DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2014 and 2013**

**The District as a Whole** (Continued)

**Fiscal Year 2014** - The District's operating revenue increased by 3.8% (\$0.3 million) while operating expenses minus depreciation increased by 3.3% (\$1.0 million).

Factors that led to the increase in operating expense included:

- A 3.0% increase in Operations expenses (\$0.6 million). Increased labor and fringe benefit expenses (\$0.6 million) constituted the bulk of the increase. Fuel and Lubricants remained constant.
- General Administration and Illinois Terminal expenses increased by \$0.4 million.

**Fiscal Year 2013** - The District's operating revenue increased by 3.9% (\$0.3 million) while operating expenses minus depreciation increased by 5.7% (\$1.7 million).

Factors that led to the increase in operating expense included:

- A 3.5% increase in Operations expenses (\$0.7 million). Increased labor and fringe benefit expenses (\$0.6 million) constituted the bulk of the increase. Fuel and Lubricants remained constant.
- Maintenance expenses increased by \$0.5 million. Increased labor and fringe benefit expenses (\$0.3 million) constituted the bulk of the increase. Revenue Vehicle repairs increased by \$0.2 million. In future years, as our fleet age increases, we may see increased vehicle repairs.
- General Administration and Illinois Terminal expenses increased by 0.5 million

**Budgetary Highlights**

**Fiscal Year 2014** - The Board of Trustees approved the District's budget for fiscal year 2014 on June 26, 2013 with various capital budget amendments through-out the year. The budget included operating expenses of \$40.7 million excluding depreciation. This included \$6.4 million of debt service.

- Actual operating revenue, including investment income, was \$8.2 million, \$.1 million more than budgeted for fiscal year 2014.
- Actual operating expenses, less depreciation, were \$31.7 million with an additional \$1.5 million of eligible debt service expenditures. Total operating expenses were \$8.9 million under budget primarily due to the following: debt service was \$4.8 million under budget, labor and fringe benefit expenses were \$1.1 million under budget and material and supply expenses were \$2.1 million under budget.

**CHAMPAIGN-URBANA MASS TRANSIT DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2014 and 2013**

**Budgetary Highlights (Continued)**

**Fiscal Year 2013** - The Board of Trustees approved the District's budget for fiscal year 2013 on June 27, 2012 with various capital budget amendments through-out the year. The budget included operating expenses of \$38.7 million excluding depreciation. This included \$6.9 million of debt service.

- Operating revenue including investment income was \$7.9 million or the same as the fiscal Year 2013 budget.
- Operating expenses, less depreciation, was \$30.7 million with an additional total of \$5.0 million of eligible debt service. Total operating expenses were \$1.1 million under budget.

**Capital Asset Administration**

At the end of fiscal year 2014, the District had \$55.3 million invested in a broad range of capital assets. This is a decrease of \$3.5 million over fiscal year 2013.

**Fiscal Year 2014 Major Additions Include**

Solar Array	\$ 1,155,294
LED Lighting	310,612
Passenger Shelters	309,450
<b>Total</b>	<b>\$ 1,775,356</b>

The District's fiscal year 2014 capital budget calls for \$2.1 million in local dollars as well as \$6.4 million of State of Illinois debt service operating funds. Some of the more significant fiscal year 2014 capital projects from these sources include:

Architectural & Engineering	\$ 1,200,000
Passenger Shelters	400,000
Facility Improvements	300,000
Technology / CAD / AVL / Equipment	200,000
<b>Total</b>	<b>\$ 2,100,000</b>

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

**CHAMPAIGN-URBANA MASS TRANSIT DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2014 and 2013**

**Capital Asset Administration** (Continued)

**Fiscal Year 2013 Major Additions Include**

Revenue vehicles	\$ 6,236,831
Big Broadband	584,676
Passenger Shelters	<u>536,660</u>
<b>Total</b>	<b><u>\$ 7,358,167</u></b>

**Long-term Debt Activity**

**Fiscal Year 2014 and 2013** - The District's only long-term debt (early retirement plan liability) did not change significantly during either fiscal year. Future increases in the accrual for the early retirement plan cannot be predicted as participation is at the discretion of eligible employees.

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 2015 is \$43.8 million. This consists of \$42.2 million in projected operating expenses, excluding depreciation, and \$1.6 million in projected capital expenditures.
- The State of Illinois Operating Assistance budget for fiscal year 2015 has been approved for eligible operating expense reimbursement up to \$27.9 million. This included \$5.6 million of debt service.

**CHAMPAIGN URBANA MASS TRANSIT DISTRICT**  
**STATEMENTS OF NET POSITION**  
June 30, 2014 and 2013

**ASSETS**

	<u>2014</u>	<u>2013</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 10,301,196	\$ 2,465,718
Investments	102,161	101,738
Receivables:		
Property tax	3,296,015	3,344,526
State operating grant	-	4,800,295
Other	586,939	516,245
Inventories	909,068	866,966
Prepaid expenses	<u>305,061</u>	<u>90,269</u>
Total current assets	<u>15,500,440</u>	<u>12,185,757</u>
 <b>PROPERTY AND EQUIPMENT</b>		
Land and construction in progress, not being depreciated	3,077,667	2,145,072
Other property and equipment, net of depreciation	<u>52,191,462</u>	<u>56,696,164</u>
Total property and equipment	<u>55,269,129</u>	<u>58,841,236</u>
 <b>OTHER ASSETS</b>		
Capital reserves:		
Cash and cash equivalents	7,382,743	7,740,396
Investments held under incentive plan	<u>-</u>	<u>20,774</u>
Total other assets	<u>7,382,743</u>	<u>7,761,170</u>
 <b>TOTAL ASSETS</b>	 <u>\$ 78,152,312</u>	 <u>\$ 78,788,163</u>

## LIABILITIES AND NET POSITION

	<u>2014</u>	<u>2013</u>
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 713,226	\$ 759,881
Operating assistance grant payable	663,897	572,221
Accrued expenses	3,676,521	3,385,429
Unredeemed yearly passes and tokens	82,182	118,720
Obligations under incentive and early retirement plans, current portion	206,571	120,867
Workers' compensation liability	222,749	171,451
Other current liabilities	882,231	706,928
Total current liabilities	6,447,377	5,835,497
<b>LONG-TERM LIABILITIES</b>		
Obligation under early retirement plan, net of current	444,426	500,000
Total liabilities	6,891,803	6,335,497
<b>NET POSITION</b>		
Net investment in capital assets	55,269,129	58,841,236
Unrestricted	15,991,380	13,611,430
Total net position	71,260,509	72,452,666
 <b>TOTAL LIABILITIES AND NET POSITION</b>	 \$ 78,152,312	 \$ 78,788,163

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, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<b>OPERATING REVENUES</b>		
Yearly passes	\$ 5,523,778	\$ 5,289,479
Full adult fares	789,821	692,866
Rental of equipment and buildings	729,865	725,633
Student fares and school bus service	496,870	486,699
ADA services	250,390	245,431
Advertising	280,134	260,045
Half-Fare cab	89,677	106,545
Miscellaneous	<u>68,270</u>	<u>165,205</u>
Total operating revenues	<u>8,228,805</u>	<u>7,971,903</u>
<b>OPERATING EXPENSES</b>		
Operations	20,340,936	19,719,358
Maintenance	5,242,167	5,259,198
General administration	4,968,522	4,664,997
Illinois Terminal	1,172,212	1,116,465
Depreciation	<u>6,817,067</u>	<u>6,577,119</u>
Total operating expenses	<u>38,540,904</u>	<u>37,337,137</u>
Operating loss	<u>(30,312,099)</u>	<u>(29,365,234)</u>
<b>NON-OPERATING REVENUES</b>		
Property taxes	6,706,422	6,770,348
State replacement taxes	211,236	208,810
State of Illinois assistance grants	21,175,641	23,058,840
Federal assistance grants	79,302	103,191
Investment income	<u>4,171</u>	<u>5,590</u>
Total non-operating revenues	<u>28,176,772</u>	<u>30,146,779</u>
Income (loss) before other revenues	(2,135,327)	781,545
<b>OTHER REVENUES</b>		
Capital grants	<u>943,170</u>	<u>1,465,547</u>
<b>CHANGE IN NET POSITION</b>	(1,192,157)	2,247,092
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>72,452,666</u>	<u>70,205,574</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 71,260,509</u>	<u>\$ 72,452,666</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, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 8,450,329	\$ 7,942,362
Payments to vendors	(17,697,561)	(16,460,075)
Payments to employees	<u>(13,726,864)</u>	<u>(13,380,706)</u>
Net cash used in operating activities	<u>(22,974,096)</u>	<u>(21,898,419)</u>
<b>CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
State operating assistance grant proceeds received	25,975,936	18,258,545
Federal operating assistance grant proceeds received	79,302	103,191
Tax proceeds received	<u>6,966,169</u>	<u>6,753,870</u>
Net cash provided by non-capital and related financing activities	<u>33,021,407</u>	<u>25,115,606</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Federal and state capital grant proceeds received	650,952	1,173,329
Purchases of property and equipment	(3,244,960)	(7,532,789)
Advances of principal on lines of credit	1,224,784	5,023,021
Repayments of principal on lines of credit	(1,224,784)	(5,023,021)
Proceeds from note payable	-	4,920,000
Payment on note payable	<u>-</u>	<u>(4,920,000)</u>
Net cash used in capital and related financing activities	<u>(2,594,008)</u>	<u>(6,359,460)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales and maturities of investments	142,871	170,922
Purchase of investments	(122,520)	(146,697)
Interest received	<u>4,171</u>	<u>5,590</u>
Net cash provided by investing activities	<u>24,522</u>	<u>29,815</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>7,477,825</b>	<b>(3,112,458)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>10,206,114</u>	<u>13,318,572</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 17,683,939</u>	<u>\$ 10,206,114</u>

	<u>2014</u>	<u>2013</u>
<b>RECONCILIATION OF OPERATING LOSS TO</b>		
<b>NET CASH USED IN OPERATING ACTIVITIES</b>		
Operating loss	\$ (30,312,099)	\$ (29,365,234)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	6,817,067	6,577,119
(Increase) decrease in assets:		
Receivables	221,524	(29,541)
Inventories	(42,102)	12,173
Prepaid expenses	(214,792)	683,110
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	387,411	236,550
Unredeemed yearly passes and tokens	(36,538)	8,435
Obligations to employees under early retirement and incentive plans	30,130	(64,687)
Other current liabilities	175,303	43,656
Net adjustments	<u>7,338,003</u>	<u>7,466,815</u>
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<u>\$ (22,974,096)</u>	<u>\$ (21,898,419)</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO</b>		
<b>BALANCE SHEET</b>		
Cash and cash equivalents	\$ 10,301,196	\$ 2,465,718
Capital reserves-cash and cash equivalent	<u>7,382,743</u>	<u>7,740,396</u>
<b>TOTAL</b>	<u>\$ 17,683,939</u>	<u>\$ 10,206,114</u>

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

**CHAMPAIGN-URBANA MASS TRANSIT DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2014 and 2013**

**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 (GAAP). The Government Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments. GAAP includes all relevant GASB pronouncements plus other sources of accounting and financial reporting guidance noted in GASB Statement 55, *The Hierarchy of GAAP 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, 2014 and 2013**

**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 2013 tax levy was passed by the Board of Trustees on December 4, 2013. 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, 2014 and 2013 was from the 2013 and 2012 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 \$821,570 and \$657,048 for the years ended June 30, 2014 and 2013, respectively, 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 balance sheets.

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 as 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.

**CHAMPAIGN-URBANA MASS TRANSIT DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2014 and 2013**

**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 deferred 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 balance sheets. The District's policy is to apply restricted resources first when an expense is incurred for a purpose for which restricted and unrestricted net assets are 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.

Certain reclassifications have been made to prior year amounts to conform to the current year presentation.

**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, 2014, the District's bank balance of \$1,064,454 was fully collateralized. At June 30, 2013, \$360,572 of the District's bank balance of \$1,141,639 was exposed to custodial credit risk, and was uncollateralized.

**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.

**CHAMPAIGN-URBANA MASS TRANSIT DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2014 and 2013**

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

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

At June 30, 2014, the District held \$11,695,492 in the Illinois Funds Money Market and Prime Funds, which reconciled to a book balance of \$10,331,009. At June 30, 2013 the District held \$4,460,758 in the Illinois Funds Money Market and Prime Funds, which reconciled to a book balance of \$4,460,758. 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.

**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, 2014 and 2013, the District had the following investments and maturities:

	<u>Fair Value</u>	<u>June 30, 2014</u> <b>Investment Maturities in Years</b> Less than	
		<u>1 Year</u>	<u>1 to 5 Years</u>
Certificates of deposit	\$ 102,161	\$ 102,161	\$ -

  

	<u>Fair Value</u>	<u>June 30, 2013</u> <b>Investment Maturities in Years</b> Less than	
		<u>1 Year</u>	<u>1 to 5 Years</u>
Certificates of deposit	\$ 122,512	\$ 122,512	\$ -

**Custodial Credit Risk – Investments**

At June 30, 2014, the District had no custodial credit risk.

**CHAMPAIGN-URBANA MASS TRANSIT DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2014 and 2013**

**NOTE 4 - ACCOUNTS RECEIVABLE**

Accounts receivable consists of the following:

	<u>2014</u>	<u>2013</u>
Property taxes	\$ 3,296,015	\$ 3,344,526
State operating grant	-	4,800,295
Federal capital grant	340,718	292,218
Employees	6,140	7,800
University of Illinois	42,337	41,300
Trade	161,886	134,632
State replacement tax	<u>35,858</u>	<u>40,295</u>
<b>Total accounts receivable</b>	<b><u>\$ 3,882,954</u></b>	<b><u>\$ 8,661,066</u></b>

**Operating Assistance Grants**

During the years ended June 30, 2014 and 2013, the Illinois Department of Transportation (IDOT) reimbursed the District for up to sixty-five percent, of the District's eligible operating expenses. The amount of reimbursements is limited to the maximum amount specified in the grant agreements. The District is required to return to IDOT any unspent grant amounts. The final estimated grant amount for each fiscal year is subject to review and approval of the eligible expenses by IDOT.

As of June 30, 2014 and 2013, the estimated amounts due to and from IDOT, respectively, are as follows:

	<u>2014</u>	<u>2013</u>
Fiscal year 2014 grant agreement	\$ (26,530)	\$ -
Fiscal year 2013 grant agreement	(65,146)	4,800,295
Fiscal year 2012 grant agreement	<u>(572,221)</u>	<u>(572,221)</u>
<b>Net amount due from IDOT</b>	<b><u>\$ (663,897)</u></b>	<b><u>\$ 4,228,074</u></b>

The \$663,897 due to IDOT under the fiscal year 2014 to 2012 grant agreements is shown as operating assistance grant payable at June 30, 2014.

**CHAMPAIGN-URBANA MASS TRANSIT DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2014 and 2013**

**NOTE 5 - INVENTORIES**

Inventories consist of the following:

	<u>2014</u>	<u>2013</u>
Materials and supplies	\$ 801,773	\$ 783,805
Fuel and lubricant	<u>107,295</u>	<u>83,161</u>
<b>Total</b>	<u>\$ 909,068</u>	<u>\$ 866,966</u>

**NOTE 6 - PROPERTY AND EQUIPMENT, NET**

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

	<u>June 30, 2013</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2014</u>
Assets not being depreciated:				
Land	\$ 1,475,159	\$ -	\$ -	\$ 1,475,159
Construction in progress	669,913	3,073,734	2,141,139	1,602,508
Assets being depreciated:				
Land improvements	152,044	-	104,629	47,415
Office, garage, and building facilities	35,951,864	1,639,691	58,135	37,533,420
Revenue vehicles	49,780,207	-	480,255	49,299,952
Service vehicle	385,208	-	4,823	380,385
Passenger shelters	1,907,098	401,213	737	2,307,574
Other equipment	<u>5,045,976</u>	<u>271,460</u>	<u>15,208</u>	<u>5,302,228</u>
Total property and equipment	95,367,469	5,386,098	2,804,926	97,948,641
Less accumulated depreciation	<u>36,526,233</u>	<u>6,817,067</u>	<u>663,785</u>	<u>42,679,512</u>
<b>Property and equipment, net</b>	<u>\$ 58,841,236</u>	<u>\$ (1,430,969)</u>	<u>\$ 2,141,138</u>	<u>\$ 55,269,129</u>



**CHAMPAIGN-URBANA MASS TRANSIT DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2014 and 2013**

**NOTE 6 - PROPERTY AND EQUIPMENT, NET (CONTINUED)**

	<b>June 30, <u>2012</u></b>	<b><u>Additions</u></b>	<b><u>Disposals</u></b>	<b>June 30, <u>2013</u></b>
Assets not being depreciated:				
Land	\$ 1,475,159	\$ -	\$ -	\$ 1,475,159
Construction in progress	830,361	6,151,022	6,311,470	669,913
Assets being depreciated:				
Land improvements	223,552	-	71,508	152,044
Office, garage, and building facilities	35,445,926	781,457	275,519	35,951,864
Revenue vehicles	47,826,066	6,236,831	4,282,690	49,780,207
Service vehicle	446,089	3,374	64,255	385,208
Passenger shelters	1,381,261	536,660	10,823	1,907,098
Other equipment	<u>5,018,098</u>	<u>134,913</u>	<u>107,035</u>	<u>5,045,976</u>
Total property and equipment	92,646,512	13,844,257	11,123,300	95,367,469
Less accumulated depreciation	<u>34,760,946</u>	<u>6,577,119</u>	<u>(4,811,832)</u>	<u>(36,526,233)</u>
<b>Property and equipment, net</b>	<b><u>\$ 57,885,566</u></b>	<b><u>\$ 7,267,138</u></b>	<b><u>\$ 6,311,468</u></b>	<b><u>\$58,841,236</u></b>

**NOTE 7 - ACCRUED COMPENSATED ABSENCES LIABILITY**

The total liability accrued by the District for unpaid compensated absences, included in accrued expenses on the balance sheet, was \$2,948,909 and \$2,773,377 at June 30, 2014 and 2013, 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 June 30 each year and not used or paid out as of December 31<sup>st</sup>, will be deposited into the employee's personal RHSP account, and is recorded as a benefit expense to the District. Any salaried employees unused vacation, earned as of June 30 each year, above a 12 week accumulation limit, not used by December 31<sup>st</sup>, 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, 2014 and 2013**

**NOTE 7 - ACCRUED COMPENSATED ABSENCES LIABILITY (CONTINUED)**

Any salaried employees sick hours above 480 hours, earned as of June 30 of each year and not used by December 31<sup>st</sup>, will be deposited into the employee's personal RHSP account and recorded as benefit expense to the District. Salaried employees who have five years or more of continuous service for the District are eligible to be paid for unused sick leave at separation from the District. The percentage paid at separation ranges from 10 percent after five years of service up to 50 percent after twenty years of service.

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

**NOTE 8 - LINES OF CREDIT**

As of June 30, 2014, the District has one line of credit, with a borrowing limit of \$4,000,000. The line of credit matures on November 28, 2014 and bears interest at a varying rate equal to LIBOR plus 2.50 basis points with a minimum rate of 3.0 percent. The rate was 3.0 percent at June 30, 2014. This line of credit is secured by substantially all assets of the District. As of June 30, 2014, there was no outstanding balance.

As of June 30, 2013, the District has one line of credit, with a borrowing limit of \$4,000,000. The line of credit matures on November 29, 2013 and bears interest at a varying rate equal to LIBOR plus 2.50 basis points with a minimum rate of 3.0 percent. The rate was 3.0 percent at June 30, 2013. This line of credit is secured by substantially all assets of the District. As of June 30, 2013, there was no outstanding balance.

**NOTE 9 - UNRESTRICTED NET POSITION**

Unrestricted net position consists of the following:

	<u><b>2014</b></u>	<u><b>2013</b></u>
Board designated for capital reserves	\$ 7,382,743	\$ 7,740,396
Undesignated	<u>8,608,637</u>	<u>5,871,034</u>
<b>Total unrestricted net assets</b>	<u><b>\$15,991,380</b></u>	<u><b>\$13,611,430</b></u>

**CHAMPAIGN-URBANA MASS TRANSIT DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2014 and 2013**

**NOTE 10 - LEASE REVENUE**

The District is the lessor of office and retail space under operating leases expiring in various years through 2025. All of these leases are within non-transportation related sections of facilities that are used for both transportation and non-transportation purposes. The cost and carrying value of these facilities (including the transportation and non-transportation sections) was \$39,055,995 and \$22,826,811, respectively, at June 30, 2014.

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

**Fiscal Year Ending June 30**

2015	\$ 668,271
2016	589,402
2017	507,272
2018	220,588
2019	194,493
Thereafter	<u>261,974</u>
<b>Total</b>	<b><u>\$ 2,442,000</u></b>

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 11 - LEASE COMMITMENTS**

The District leases furniture, equipment, and vehicles under various non-cancelable operating leases, expiring at various times between December 2014 and April 2017. Future minimum lease payments under these operating leases are as follows:

**Fiscal Year Ending June 30**

2015	\$ 149,563
2016	138,007
2017	<u>45,235</u>
<b>Total</b>	<b><u>\$ 332,805</u></b>

Total rental expense for operating leases for the years ended June 30, 2014 and 2013 was \$133,765 and \$84,290, respectively.

**CHAMPAIGN-URBANA MASS TRANSIT DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2014 and 2013**

**NOTE 12 - 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, 2014 and 2013, the District has recorded an expense of \$243,936 and \$150,481, respectively, including the present value of expected future payments at June 30 using an interest rate of 1.0021 percent. The District had a liability of \$650,997 and \$600,000, respectively, related to this plan at June 30, 2014 and 2013 and is included on the balance sheet in obligations under incentive and early retirement plans.

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

**Fiscal Year Ending June 30**

2015	\$ 206,571
2016	150,591
2017	184,284
2018	91,103
2019	<u>18,448</u>
<b>Total</b>	<b><u>\$ 650,997</u></b>

The following is a summary of changes in incentive and early retirement plan obligations for the years ended June 30, 2014 and 2013:

	<b><u>June 30,</u></b> <b><u>2013</u></b>	<b><u>Provision</u></b>	<b><u>Payment</u></b>	<b><u>June 30,</u></b> <b><u>2014</u></b>	<b><u>Due Within</u></b> <b><u>One Year</u></b>
Incentive and early retirement plans	<u>\$ 620,867</u>	<u>\$ 224,353</u>	<u>\$ 194,223</u>	<u>\$ 650,997</u>	<u>\$ 206,571</u>
	<b><u>June 30,</u></b> <b><u>2012</u></b>	<b><u>Provision</u></b>	<b><u>Payment</u></b>	<b><u>June 30,</u></b> <b><u>2013</u></b>	
Incentive and early retirement plans	<u>\$ 685,554</u>	<u>\$ 178,914</u>	<u>\$ 243,601</u>	<u>\$ 620,867</u>	

**CHAMPAIGN-URBANA MASS TRANSIT DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2014 and 2013**

**NOTE 13 - PENSION FUND COMMITMENTS**

*Plan Description* – The District’s defined benefit pension plan for regular employees provides retirement and disability benefits, post retirement increases, and death benefits to plan members and beneficiaries. The District’s plan is affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer plan. 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 financial report that includes financial statements and required supplementary information. That report may be obtained on-line at [www.imrf.org](http://www.imrf.org).

*Funding Policy* – As set by statute, the District’s regular plan members are required to contribute 4.50 percent of their annual covered salary. The statutes require employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer contribution rate for calendar year 2013 was 13.51 percent. 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 the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

*Annual Pension Cost* – The required contribution and actual contribution for calendar year 2013 was \$2,142,509.

<u>Calendar Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (NPO)</u>
12/31/13	\$ 2,142,509	100%	\$ -
12/31/12	1,866,143	100%	-
12/31/11	1,775,050	100%	-

The net pension obligation for the District as of June 30, 2014 and 2013 is as follows:

	<u>2014</u>	<u>2013</u>
Annual required contribution	\$ 2,142,509	\$ 1,866,143
Interest on the NPO	-	-
Adjustments to the ARC	-	-
Annual pension cost	<u>2,142,509</u>	<u>1,866,143</u>
Actual contribution	<u>(2,142,509)</u>	<u>(1,866,143)</u>
Increase (decrease) to the NPO	-	-
Beginning of year NPO	<u>-</u>	<u>-</u>
<b>End of year NPO</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**CHAMPAIGN-URBANA MASS TRANSIT DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2014 and 2013**

**NOTE 13 - PENSION FUND COMMITMENTS (CONTINUED)**

The required contribution for calendar 2013 and 2012 was determined as part of the December 31, 2011 and 2010 actuarial valuations using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2011, included (a) 7.5 percent investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.00 percent a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4 to 10 percent per year depending on age and service, attributable to seniority/merit, and (d) post retirement benefit increases of 3 percent annually. The actuarial value of the District's regular plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20 percent corridor between the actuarial and market value of assets. The District's regular plan's unfunded actuarial accrued liability at December 31, 2011 is being amortized as a level percentage of projected payroll on an open 30 year basis.

*Funded Status and Funding Progress* – As of December 31, 2013, the most recent actuarial valuation date, the regular plan was 68.16 percent funded. The actuarial accrued liability for benefits was \$44,333,752 and the actuarial value of assets was \$30,416,639, resulting in an underfunded actuarial liability (UAAL) of \$13,917,113. The covered payroll (annual payroll of active employees covered by the plan) was \$15,858,688 and the ratio of the UAAL to the covered payroll was 88 percent.

The schedule of funding progress, presented as required supplementary information following the notes to the basic financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The District provides no other post-employment benefit that is financially significant.

**NOTE 14 - 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, 2014 and 2013 totaled \$605,271 and \$487,023, 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.

**CHAMPAIGN-URBANA MASS TRANSIT DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2014 and 2013**

**NOTE 14 - SELF INSURANCE (CONTINUED)**

The following table is a summary of the coverage in effect for the members of IPTRMA for the period July 1, 2013 through July 1, 2014:

<u>Coverage Type</u>	<u>Self-Insured Retention</u>	<u>Coverage Limits</u>	<u>Insurance Company</u>
Package: General liability	\$ 25,000	\$5,000,000/occurrence and annual	Illinois Union Insurance Company
Auto liability	\$ 500,000	\$5,000,000/accident	Illinois Union Insurance Company
Public officials/employment practices	\$ 25,000	\$5,000,000/accident	Illinois Union Insurance Company
Property	\$ -	\$80,826,590/occurrence	Federal Insurance Company/Chubb
Excess liability	\$ -	\$10,000,000/occurrence and annual	Star Indemnity & Liability Company/Catlin Specialty Insurance Company

The District is self-insured for worker's compensation and employer's liability claims. Losses and claims are accrued as incurred. At June 30, 2014 and 2013, the District had a claims liability balance of \$222,750 and \$171,451, respectively, for expected additional claims payable. Losses and claims recognized for the years ended June 30, 2014 and 2013 totaled \$320,054 and \$219,961, respectively. The District purchases insurance coverage for worker's compensation to cover claims in excess of \$400,000 with a statutory aggregate limit for worker's compensation and a \$2,000,000 aggregate limit for employer's liability.

**NOTE 15 - MAJOR CUSTOMER**

Yearly passes revenue for the years ended June 30, 2014 and 2013 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, 2014 and 2013 was \$5,269,382 and \$4,999,421, respectively. At June 30, 2014 and 2013, amounts due from the University of Illinois included in accounts receivable were \$42,337 and \$41,300, respectively.

**CHAMPAIGN-URBANA MASS TRANSIT DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2014 and 2013**

**NOTE 16 - 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, 2014</u>	<u>Remaining Commitment</u>
Urinal/Toilet Replacement	\$ 33,482	\$ -	\$ 33,482
Chiller Retrofit	238,039	209,485	28,554
803 Pavement Replacement	279,307	251,377	27,930
Rapid Roll Doors	197,000	126,673	70,327
Illinois Terminal East Lot	204,897	-	204,897
AMTRAK Platform Rehabilitation	254,700	-	254,700
Roof Ice Guards	<u>37,950</u>	<u>-</u>	<u>37,950</u>
<b>Total</b>	<b><u>\$ 1,245,375</u></b>	<b><u>\$ 587,535</u></b>	<b><u>\$ 657,840</u></b>

**NOTE 17 - CONTINGENCIES**

The District is the defendant in various litigations that cover a wide range of matters. The potential liability for these claims is estimated at between \$5,000 and \$200,000, and is expected to be covered by the IPTRMA loss reserve fund and insurance coverage. As of June 30, 2014 and 2013, the District has not recorded a liability for these claims.

The District is also involved in several worker compensation claims with current and former employees. As of June 30, 2014 and 2013, the District has recorded a liability of \$222,750 and \$171,451, respectively, for anticipated additional claims expense as stated in Note 14. An estimate of any additional potential loss cannot be made.

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



**REQUIRED SUPPLEMENTARY INFORMATION**

**CHAMPAIGN-URBANA MASS TRANSIT DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS  
June 30, 2014**

(UNAUDITED)

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) -Entry Age (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
12/31/13	\$ 30,416,639	\$ 44,333,752	\$ 13,917,113	68.61%	\$ 15,858,688	87.76%
12/31/12	28,338,394	41,578,726	13,240,332	68.16%	15,053,015	87.96%
12/31/11	28,028,241	41,425,328	13,397,087	67.66%	14,466,589	92.61%

On a market value basis, the actuarial value of assets as of December 31, 2013 is \$36,020,578. On a market basis, the funded ratio would be 81.25 percent.

## **SUPPLEMENTARY INFORMATION**

**CHAMPAIGN-URBANA MASS TRANSIT DISTRICT**  
**SCHEDULES OF OPERATING EXPENSES**  
**Years Ended June 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<b>Operations</b>		
Wages:		
Operators	\$ 8,088,701	\$ 7,813,845
Street supervisors and dispatchers	751,920	733,580
Other supervisors	465,772	378,792
Clerical	176,703	179,971
Labor credit	(1,249)	(1,400)
Total wages	<u>9,481,847</u>	<u>9,104,788</u>
Fringe Benefits:		
Paid absences	2,273,173	2,148,285
Health and dental insurance	1,856,580	1,882,554
Illinois Municipal Retirement Fund	1,604,588	1,811,715
Social Security tax	858,554	823,752
Workers' compensation insurance and claims	307,787	102,916
Uniform allowances	32,395	20,197
Unemployment insurance	41,630	43,954
Early retirement plan	243,936	150,481
Other fringe benefits	52,123	44,960
Total fringe benefits	<u>7,270,766</u>	<u>7,028,814</u>
Services:		
ADA	523,668	505,363
Taxi	184,157	211,884
Printing	74,120	78,713
Other services	20,987	17,651
Total services	<u>802,932</u>	<u>813,611</u>
Materials and Supplies Consumed:		
Fuel and lubrications	2,555,341	2,581,270
Tires and tubes	144,390	141,232
Small equipment	10,341	19,812
Other materials and supplies consumed	35,531	15,137
Total materials and supplies consumed	<u>2,745,603</u>	<u>2,757,451</u>
Miscellaneous:		
Leased equipment	29,660	6,868
Other	10,128	7,826
Total miscellaneous	<u>39,788</u>	<u>14,694</u>
<b>TOTAL OPERATIONS</b>	<b><u>\$ 20,340,936</u></b>	<b><u>\$ 19,719,358</u></b>

**CHAMPAIGN-URBANA MASS TRANSIT DISTRICT**  
**SCHEDULES OF OPERATING EXPENSES**  
**Years Ended June 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<b>Maintenance</b>		
Wages:		
Mechanics	\$ 1,019,109	\$ 1,003,341
Cleaners	636,470	631,154
Supervisors and clerical	428,454	403,414
Total wages	<u>2,084,033</u>	<u>2,037,909</u>
Fringe Benefits:		
Health and dental insurance	494,815	518,515
Paid absences	372,175	357,724
Illinois Municipal Retirement Fund	318,408	305,638
Social Security tax	177,446	174,342
Workers' compensation insurance and claims	48,817	160,091
Uniform and tools allowance	29,709	28,038
Unemployment insurance	10,607	11,945
Other fringe benefits	13,196	26,703
Total fringe benefits	<u>1,465,173</u>	<u>1,582,996</u>
Services:		
Contract maintenance	108,087	96,440
Other services	4,588	4,262
Total services	<u>112,675</u>	<u>100,702</u>
Materials and Supplies Consumed:		
Revenue vehicles repairs	1,053,786	1,075,627
Buildings and grounds repairs	137,899	123,460
Service supplies	52,642	51,320
Fuel and lubricants	167,686	119,894
Service vehicles repairs	22,595	13,668
Shop tools	23,978	53,688
Passenger shelter repairs	32,633	27,094
Garage equipment repairs	42,502	35,900
Other materials and supplies consumed	19,919	15,138
Total materials and supplies consumed	<u>1,553,640</u>	<u>1,515,789</u>
Miscellaneous:		
Leased equipment	22,560	19,935
Other	4,086	1,867
Total miscellaneous	<u>26,646</u>	<u>21,802</u>
<b>TOTAL MAINTENANCE</b>	<b><u>\$ 5,242,167</u></b>	<b><u>\$ 5,259,198</u></b>

**CHAMPAIGN-URBANA MASS TRANSIT DISTRICT  
SCHEDULES OF OPERATING EXPENSES  
Years Ended June 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<b>General Administration</b>		
Wages:		
Supervisors	\$ 1,501,872	\$ 1,488,090
Clerical	174,823	181,087
Total wages	<u>1,676,695</u>	<u>1,669,177</u>
Fringe Benefits:		
Health and dental insurance	200,466	247,096
Illinois Municipal Retirement Fund	360,261	193,701
Social Security tax	102,432	102,805
Unemployment insurance	2,784	3,817
Workers' compensation insurance and claims	661	421
Other fringe benefits	37,928	16,856
Total fringe benefits	<u>704,532</u>	<u>564,696</u>
Services:		
Professional and technical	612,434	591,012
Contract maintenance	238,780	273,846
Printing	433	1,104
Other services	67,589	58,387
Total services	<u>919,236</u>	<u>924,349</u>
Materials and Supplies Consumed:		
Small equipment	16,203	7,047
Buildings and grounds repair	2,561	120
Office supplies	34,198	31,938
Total materials and supplies consumed	<u>52,962</u>	<u>39,105</u>
Casualty and Liability Costs:		
Uninsured public liability	413,223	358,916
Public liability and property damage insurance	303,490	292,081
Physical damage insurance	34,011	37,761
Insurance and property damage recoveries	(55,307)	(34,067)
Other insurance	35,309	32,999
Total casualty and liability costs	<u>730,726</u>	<u>687,690</u>

**CHAMPAIGN-URBANA MASS TRANSIT DISTRICT**  
**SCHEDULES OF OPERATING EXPENSES**  
**Years Ended June 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
Miscellaneous:		
Utilities	\$ 331,986	\$ 286,548
Leased equipment	80,134	57,487
Advertising	155,530	154,314
Dues and subscriptions	58,412	49,941
Travel and meetings	48,505	61,246
Advertising services	-	79
Interest expense	14,199	33,231
Other	<u>195,605</u>	<u>137,134</u>
Total miscellaneous	<u>884,371</u>	<u>779,980</u>
 <b>TOTAL GENERAL ADMINISTRATION</b>	 <b><u>\$ 4,968,522</u></b>	 <b><u>\$ 4,664,997</u></b>
 <b>Illinois Terminal</b>		
Wages:		
Supervisors	\$ 94,285	\$ 101,983
Cleaners	141,321	158,007
Security	139,451	129,755
Clerical	<u>139,362</u>	<u>114,400</u>
Total wages	<u>514,419</u>	<u>504,145</u>
 Fringe Benefits:		
Health and dental insurance	102,986	120,690
Illinois Municipal Retirement Fund	68,583	66,141
Social Security tax	41,567	39,736
Uniform and tool allowances	5,456	3,180
Other fringe benefits	<u>1,540</u>	<u>1,622</u>
Total fringe benefits	<u>220,132</u>	<u>231,369</u>
 Services:		
Contract maintenance	35,149	35,392
Professional services	10,154	2,776
Other services	<u>7,524</u>	<u>245</u>
Total services	<u>52,827</u>	<u>38,413</u>

**CHAMPAIGN-URBANA MASS TRANSIT DISTRICT**  
**SCHEDULES OF OPERATING EXPENSES**  
**Years Ended June 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
Materials and Supplies Consumed:		
Buildings and grounds repairs	\$ 157,948	\$ 95,453
Services supplies	27,197	25,259
Shop tools	14,740	13,818
Other materials and supplies consumed	5,919	11,691
Total materials and supplies consumed	<u>205,804</u>	<u>146,221</u>
Miscellaneous:		
Utilities	167,030	174,852
Other	12,000	21,465
Total miscellaneous	<u>179,030</u>	<u>196,317</u>
<b>TOTAL ILLINOIS TERMINAL</b>	<b><u>\$ 1,172,212</u></b>	<b><u>\$ 1,116,465</u></b>
<b>Depreciation</b>		
Revenue vehicles, fareboxes, and radios	\$ 4,582,712	\$ 4,466,025
Office and garage facilities	1,572,363	1,392,958
Office and garage equipment	252,357	238,856
Service vehicles	70,422	80,654
Other equipment	339,213	398,626
<b>TOTAL DEPRECIATION</b>	<b><u>\$ 6,817,067</u></b>	<b><u>\$ 6,577,119</u></b>



**CHAMPAIGN-URBANA MASS TRANSIT DISTRICT  
SCHEDULE OF REVENUE AND EXPENSES  
UNDER DOWNSTATE OPERATING ASSISTANCE GRANT OP-14-01-IL  
Year Ended June 30, 2014**

**Operating Revenue and Income:**

401	Passenger Fares for Transit Services	\$ 1,192,351
402	Special Transit Fares	5,481,275
403	School Bus Service	476,910
406	Auxiliary Revenue	326,782
407	Non-Transportation Revenue	755,658
411	State Grants and Reimbursements	11,312
413	Federal Grants and Reimbursements	<u>79,302</u>

**Total Operating Revenue and Income** **\$ 8,323,590**

**Operating Expenses:**

501	Labor	\$ 13,756,994
502	Fringe Benefits	9,660,603
503	Professional Services	1,179,845
504	Materials and Supplies Consumed	4,527,157
505	Utilities	499,016
506	Casualty and Liability	786,033
507	Taxes	30,852
508	Special Transit Services	707,825
509	Miscellaneous Expense	482,855
511	Short Term Debt Obligation	14,199
512	Leases, Rentals, and Purchase-Lease Payments	133,765
517	Debt Service on Equipment/Facilities	<u>1,224,783</u>
	Total Operating Expenses	<u>33,003,927</u>

**Less: Ineligible Expenses**

Expenses Related to the Non-Transportation Areas of Illinois Terminal	(124,018)
Other Miscellaneous Expenses of 1101 East University	(152,887)
Professional Services Not Related to Transportation Services	(162,087)
APTA and IPTA Dues	<u>(4,428)</u>
Total Ineligible Expenses	<u>(443,420)</u>

**Total Eligible Operating Expenses** **\$ 32,560,507**

Total Eligible Operating Expenses	\$ 32,560,507
Total Operating Revenue and Income	<u>8,323,590</u>

**Deficit** **\$ 24,236,917**

**Sixty-Five Percent of Eligible Expense** **\$ 21,164,330**

**CHAMPAIGN-URBANA MASS TRANSIT DISTRICT  
SCHEDULE OF REVENUE AND EXPENSES  
UNDER DOWNSTATE OPERATING ASSISTANCE GRANT OP-14-01-IL  
Year Ended June 30, 2014**

**CONTINUED**

<b>Maximum Contract Amount</b>	<u>\$ 27,466,600</u>
Eligible Downstate Operating Assistance (Deficit or Sixty-Five Percent of Eligible Expense or Maximum Contract Amount, Whichever is Less)	\$ 21,164,330
Fiscal Year 2014 Downstate Operating Assistance Received (Through June 30, 2014)	21,190,860
Fiscal Year 2014 Downstate Operating Assistance Received (Subsequent to June 30, 2014)	<u>-</u>
<b>Fiscal Year 2014 Downstate Operating Assistance Over Paid</b>	<u>\$ (26,530)</u>

**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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 11, 2014.

***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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control that we consider to be a significant deficiency, as follows:

#### *Financial Statement Preparation*

- The District engages CliftonLarsonAllen LLP to assist in preparing its financial statements and accompanying disclosures. However, as independent auditors, CliftonLarsonAllen LLP cannot be considered part of District's internal control system. This situation is very common for entities the size of the District. While it is acceptable to outsource various accounting functions, the responsibility for internal control cannot be outsourced to the external auditors. Currently, the District's personnel do not have sufficient governmental financial statement reporting experience and training to prepare the District's financial statements, including any new disclosure requirements.

#### *Recommendation*

- Management is aware of the internal control deficiency in financial statement reporting in accordance with generally accepted accounting principles. Management should continue to weigh the costs versus benefits of investing in additional personnel or additional training for existing personnel to acquire the capacity to maintain the level of expertise necessary to prepare financial statements in accordance with generally accepted accounting principles, including all disclosures.

#### *Corrective Action*

- In May 2014, a registered Certified Public Accountant (CPA) was hired to assume the position of Comptroller. This person now oversees all daily functions of the Accounting Department and related financial reporting. As a CPA, our Comptroller is required to comply with AICPA continuing education guidelines and will focus those educational activities on GAAP, GASB, FASB, as applicable, and other emerging issues and reporting requirements. The Comptroller is actively designing a system that prepares financials statements that mirror those included in the annual audit report, and will work to implement new disclosure requirements as they are issued by the AICPA and/or other governing agencies.

#### ***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.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

**CliftonLarsonAllen, LLP**

Champaign, Illinois  
November 11, 2014