CHAMPAIGN-URBANA MASS TRANSIT DISTRICT

Urbana, Illinois

Financial Statements
and Supplementary Information

For the Years Ended

June 30, 2011 and 2010

CONTENTS

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INDEPENDENT AUDITORS' REPORT

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

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, 2011 and 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Champaign-Urbana Mass Transit District as of June 30, 2011 and 2010, and the changes in financial position and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued a report dated November 04, 2011, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of Funding Progress on pages 3 through 9 and page 27, respectively, 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.

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Champaign-Urbana Mass Transit District's basic financial statements. The accompanying Schedule 1 is presented for the purpose of additional analysis. The accompanying Schedules 2 through 4 are presented for purposes of additional analysis as required by the Illinois Department of Transportation. The accompanying Schedules 5 through 7, including the Schedule of Expenditures of Federal Awards, are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The information included in Schedules 1 through 7 is not a required part of the basic financial statements. Schedules 1 through 7 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Martin, Hood, Friese & Associates, LLC

Champaign, Illinois
November 04, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

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. William Volk, Managing Director, Champaign-Urbana Mass Transit District, 1101 East University, Urbana, Illinois 61802-2009.

Financial Highlights – Fiscal Year 2011

- The District's financial condition remained stable and strong during Fiscal Year 2011.
- State of Illinois Assistance continued to be fully funded at 65% of eligible operating expenses.

Financial Highlights – Fiscal Year 2010

- The District's financial condition remained stable and strong during Fiscal Year 2010.
- State of Illinois Assistance continued to be fully funded at 65% of eligible operating expenses.

Using This Annual Report

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

The statement of revenues, expenses, and changes in net assets 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 assets presented on the balance sheet changed over the fiscal year. All activities that increase or decrease net assets 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, the state-operating grant of the District, and the District's federal grants.

The District as a Whole

The District's net assets increased from the prior year --- increasing from $49.8 million to $64.1 million. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the District.

	2011	2010	2009
Current and Other Assets	$ 20.0	$ 18.9	$ 19.5
Capital Assets	53.7	37.4	31.6
Total Assets	73.7	56.3	51.1
Current and Other Liabilities	8.9	5.8	7.1
Long-Term Liabilities	0.5	0.7	0.7
Total Liabilities	9.4	6.5	7.8
Net Assets:			
Invested in Capital Assets, Net of Related Debt	51.0	37.4	31.6
Unrestricted	13.3	12.4	43.3
Total Net Assets	$ 64.3	$ 49.8	$ 74.9

Fiscal Year 2011 - The District's net assets increased by 28.9% ($64.3 million compared to $49.8 million for fiscal 2010). Total assets increased by $17.4 million. Current and other assets increased by $1.1 million and Capital Assets increased by $16.3 million.

Current liabilities increased of $3.1 million while long-term liabilities decreased by $.2 million.

Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by enabling legislation or other legal requirements, increased by $.9 million.

<u>Fiscal Year 2010</u> - The District's net assets increased by 15.2% ($49.8 million compared to $43.3 million for fiscal 2009). Total assets increased by $5.2 million. Current and other assets decreased by $.6 million, but this was offset by a $5.8 million increase in Capital Assets.

A total liability decrease of $1.3 million came about primarily as a result of a substantial decrease in current and other liabilities ($1.3 million).

Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by enabling legislation or other legal requirements, increased by $.7 million.

Table 2
Changes in Net Assets
(in Millions)

	2011	2010	2009
Operating Revenues:			
Revenues from Transportation Services	$ 6.0	$ 5.9	$ 5.4
Other Operating Revenues	0.9	0.9	0.8
Total Operating Revenues	6.9	6.8	6.2
Operating Expenses:			
Operations	17.3	16.3	15.2
Maintenance	5.1	5.1	4.7
General Administration and Illinois Terminal	5.2	5.1	5.1
Depreciation	3.8	2.9	2.6
Total Operating Expenses	31.4	29.4	27.6
Operating Loss	(24.5)	(22.6)	(21.4)
Non-Operating Revenues:			
Taxes	6.6	6.2	6.2
Operating Grants	20.2	18.6	16.1
Investment Income	-	0.1	0.2
Total Non-Operating Revenues	26.8	24.9	22.5
Income (Loss) Before Other Revenue	2.3	2.3	1.1
Other Revenues:			
Capital Grants	12.2	4.2	1.6
Increase (Decrease) in Net Assets	14.5	6.5	2.7
Net Assets, Beginning of Year	49.8	43.3	40.6
Net Assets, End of Year	$ 64.3	$ 49.8	$ 43.3

<u>Fiscal Year 2011</u> - The District's operating revenue increased by 1.4% ($.1 million) while operating expenses minus depreciation increased by 4.1% ($1.1 million).

Factors that led to the increases included:

- An increase of $.1 million in Revenue for Transportation Services was matched by a $.1 million increase in Other Operating Expenses.

- A 6.3% increase in Operations expenses ($1.0 million). Increased labor and fringe benefit expenses ($.8 million) constituted the bulk of the increase. Fuel and Lubricants increased by $.46 million.

- Maintenance expenses remained flat. Decreased Revenue Vehicle Repairs (decreased $.18 million), as a result of 23 new buses, offset increases in other areas.

- General Administration declined $.03 million. Lower Casualty and Liability costs (decreased $.21 million) offset wage and fringe benefit increases (increased $.23 million).

- Illinois Terminal expenses increased by $.09 million.

<u>Fiscal Year 2010</u> - The District's operating revenue increased by 9.8% ($.6 million) while operating expenses minus depreciation increased by 6.1% ($1.5 million).

Factors that led to the increases included:

- A new contract with the University of Illinois and an increase in yearly pass sales due to a price reduction ($.72 million) more than offset a decrease in full adult fares ($.16 million).

- A 7.3% increase in Operations expenses ($1.1 million). Increased labor and fringe benefit expenses ($1.1 million) constituted the bulk of the increase. New service beginning in August, 2009 contributed greatly to the increase.

- Maintenance expenses increased 7.7% or $.4 million. Wages, fringe benefits, and revenue vehicle repairs all rose as a result of higher service levels.

- General Administration costs rose 1.3% or $.05 million. Lower services, material and supplies consumed and casualty and liability nearly offset wage and fringe benefit increases.

- Illinois Terminal expenses decreased by $5,000.

Budgetary Highlights

Fiscal Year 2011 - The Board of Trustees approved the District's budget for fiscal year 2011 on June 30, 2010 with various capital budget amendments through-out the year. The budget included operating expenses of $32.1 million excluding depreciation. The budget also included capital expenditures of $4 million.

- Operating revenue including investment income was $6.9 million or the same as the Fiscal Year 2011 budget.

- Operating expenses, less depreciation, was $27.6 million or $4.5 million under budget.

Fiscal Year 2010 - The Board of Trustees approved the District's budget for fiscal year 2010 on June 24, 2009 with various capital budget amendments through-out the year. The budget included operating expenses of $29.1 million excluding depreciation. The budget also included capital expenditures of $3.2 million.

- Operating revenue including investment income was $6.9 million or the same as the Fiscal Year 2010 budget.

- Operating expenses, less depreciation, was $26.5 million or $2.6 million under budget.

Capital Asset Administration

At the end of fiscal year 2011, the District had $53.7 million invested in a broad range of capital assets (see Table 3 below). This is an increase of $16.3 million over fiscal year 2010.

Fiscal Year 2011 Major Additions Include:

Revenue Vehicles	$ 14,326,352
Construction in Progress - Various Projects	1,988,771
Building Improvements	2,307,890
Radio Equipment	339,033
Computer Equipment	240,918
Passenger Shelters	272,360
Service Vehicles and Equipment	612,858
	$ 20,088,182

The District's fiscal year 2012 capital budget calls for $2.1 million in local dollars as well as $5.2 million of State of Illinois debt service operating funds. Some of the more significant Fiscal Year 2012 capital projects from these sources include:

Bus Purchases	$ 4,350,000
Control Center Renovation	750,000
Shelters/Bus Stops	550,000
Architectural and Engineering	500,000
Big Broadband	500,000
CAD/AVL	318,000
	$ 6,968,000

More detailed information about the District's capital assets and leases is presented in Notes 2, 6, 11, and 12 to the financial statements.

Fiscal Year 2010 Major Additions Include:

Revenue Vehicles	$ 4,316,633
Construction in Progress - Various Projects	2,534,000
Building Improvements	617,470
Radio Equipment	547,040
Computer Equipment	341,901
Passenger Shelters	337,796
Service Vehicles and Equipment	143,387
	$ 8,838,227

Long-term Debt Activity

Fiscal Year 2011 - The District's long-term debt decreased by $.13 million to a total of $.76 million. This decrease was mainly due to the following (in millions):

Expense Accrual Decrease for Employees Entering the Early Retirement Plan, Net of Payments to Plan Participants	$ 0.14

It is not expected that the District will take on additional long-term debt in the coming years for the acquisition of property and equipment. Future increases in the accrual for the early retirement plan cannot be predicted as participation is at the discretion of eligible employees.

Fiscal Year 2010 - The District's long-term debt increased by $.01 million for a total of $.89 million. This increase was mainly due to the following (in millions):

Expense Accrual for Employees Entering the Early Retirement Plan, Net of Payments to Plan Participants	$ 0.01

Economic Factors and Next Year's Budget

- The State of Illinois budget contained a total of $22.7 million for operating assistance to the District for the fiscal year 2012.

- The District's budget for fiscal year 2012 includes projected operating expenses of $30 million, excluding depreciation. A total of $5.2 million is included in the budget as debt service funded by State of Illinois Operating Assistance with $4.4 million of the total debt service for the purchase of new buses.

Exhibit A

CHAMPAIGN-URBANA MASS TRANSIT DISTRICT

Balance Sheets

June 30, 2011 and 2010

ASSETS

	2011	2010
Current Assets		
Cash and Cash Equivalents	$ 10,593,962	$ 2,429,550
Investments	100,802	2,126,157
IDOT Reimbursement Reserve:		
Cash and Cash Equivalents	735,180	-
Investments	-	735,180
Accounts Receivable	5,773,483	9,427,187
Inventories	673,224	690,737
Prepaid Expenses	127,476	549,611
Total Current Assets	18,004,127	15,958,422
Property and Equipment, Net		
Land and Construction in Progress, Not Being Depreciated	3,463,930	4,442,330
Other Property and Equipment, Net of Depreciation	50,249,254	32,977,272
Property and Equipment, Net	53,713,184	37,419,602
Other Assets		
Capital Reserves:		
Cash and Cash Equivalents	1,493,711	-
Investments	-	2,530,830
Investment Held Under Incentive Plan	68,670	62,941
Capital Assistance Grant Receivable	379,475	379,475
Total Other Assets	1,941,856	2,973,246
Total Assets	$ 73,659,167	$ 56,351,270

LIABILITIES AND NET ASSETS

	2011	2010
Current Liabilities		
Accounts Payable	$ 1,360,306	$ 719,472
Operating Assistance Grant Payable, Net	615,144	1,454,238
Accrued Expenses	3,246,805	2,831,558
Unredeemed Yearly Passes and Tokens	163,228	141,285
Line of Credit	2,678,808	-
Obligations Under Incentive and Early Retirement Plans	249,958	165,000
Other Current Liabilities	566,666	476,037
Total Current Liabilities	8,880,915	5,787,590
Long-Term Liabilities		
Obligations Under Incentive and Early Retirement Plans, Net of Current	507,214	720,962
Total Liabilities	9,388,129	6,508,552
Net Assets		
Invested in Capital Assets, Net of Related Debt	51,034,376	37,419,602
Unrestricted	13,236,662	12,423,116
Total Net Assets	64,271,038	49,842,718
Total Liabilities and Net Assets	$ 73,659,167	$ 56,351,270

See Accompanying Notes

Exhibit B

CHAMPAIGN-URBANA MASS TRANSIT DISTRICT

Statements of Revenues, Expenses, and Changes in Net Assets

For the Years Ended June 30, 2011 and 2010

	2011	2010
Operating Revenues		
Yearly Passes	$ 4,522,275	$ 4,534,223
Full Adult Fares	639,581	608,893
Rental of Equipment and Buildings	674,298	665,742
Student Fares and School Bus Service	450,657	442,078
ADA Services	267,601	274,895
Advertising	164,811	154,343
Half-Fare Cab	82,321	76,764
Miscellaneous	105,941	56,687
Total Operating Revenues	6,907,485	6,813,625
Operating Expenses		
Operations	17,318,601	16,289,491
Maintenance	5,102,384	5,097,402
General Administration	4,106,595	4,137,645
Illinois Terminal	1,090,463	1,003,652
Depreciation	3,794,601	2,877,340
Total Operating Expenses	31,412,644	29,405,530
Operating Income (Loss)	(24,505,159)	(22,591,905)
Non-Operating Revenues (Expenses)		
Property Taxes	6,368,605	6,071,084
State Replacement Taxes	222,154	171,307
State of Illinois Operating Assistance Grants	20,099,565	18,598,516
Federal Operating Assistance Grants	42,153	17,951
Investment Income	25,189	70,634
Total Non-Operating Revenues (Expenses)	26,757,666	24,929,492
Income (Loss) Before Other Revenues	2,252,507	2,337,587
Other Revenues		
Capital Grants	12,175,813	4,238,123
Change in Net Assets	14,428,320	6,575,710
Net Assets, Beginning of Year	49,842,718	43,267,008
Net Assets, End of Year	$ 64,271,038	$ 49,842,718

See Accompanying Notes

CHAMPAIGN-URBANA MASS TRANSIT DISTRICT

Statements of Cash Flows

For the Years Ended June 30, 2011 and 2010

	2011	2010
Cash Flows From Operating Activities		
Receipts from Customers	$ 6,975,076	$ 7,201,983
Payments to Vendors	(12,151,307)	(16,251,104)
Payments to Employees	(14,086,425)	(13,544,658)
Net Cash Provided by (Used in) Operating Activities	(19,262,656)	(22,593,779)
Cash Flows From Non-Capital and Related Financing Activities		
State Operating Assistance Grant Proceeds Received	23,145,799	12,711,445
Federal Operating Assistance Grant Proceeds Received	43,251	35,983
Tax Proceeds Received	6,502,855	6,216,606
Net Cash Provided by (Used in) Non-Capital and Related Financing Activities	29,691,905	18,964,034
Cash Flows From Capital and Related Financing Activities		
Federal Capital Grant Proceeds Received	11,966,524	5,606,233
Purchase of Property and Equipment	(20,010,926)	(7,256,125)
Advances of Principal on Lines of Credit	3,153,682	2,315,330
Repayments of Principal on Lines of Credit	(474,874)	(2,315,330)
Net Cash Provided by (Used in) Capital and Related Financing Activities	(5,365,594)	(1,649,892)
Cash Flows From Investing Activities		
Proceeds from Sales and Maturities of Investments	8,290,000	3,267,986
Purchase of Investments	(3,004,364)	(6,181,347)
Interest Received	44,012	92,400
Net Cash Provided by (Used in) Investing Activities	5,329,648	(2,820,961)
Increase (Decrease) in Cash and Cash Equivalents	10,393,303	(8,100,598)
Cash and Cash Equivalents, Beginning of Year	2,429,550	10,530,148
Cash and Cash Equivalents, End of Year	$ 12,822,853	$ 2,429,550
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities		
Operating Income (Loss)	$ (24,505,159)	$ (22,591,905)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:		
Depreciation	3,794,601	2,877,340
(Increase) Decrease in Assets:		
Accounts Receivable	45,648	359,154
Inventories	17,513	17,893
Prepaid Expenses	422,135	(510,212)
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	978,824	(2,878,087)
Unredeemed Yearly Passes and Tokens	21,943	29,204
Obligations to Employees Under Early Retirement and Incentive Plans	(128,790)	3,582
Other Current Liabilities	90,629	99,252
Net Adjustments	5,242,503	(1,874)
Net Cash Provided by (Used in) Operating Activities	$ (19,262,656)	$ (22,593,779)

See Accompanying Notes

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.

2. Summary of Accounting Policies

a. The financial statements of the District are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Government Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments. GAAP includes all relevant GASB pronouncements plus other sources of accounting and financial reporting guidance noted in GASB Statement 55, *The Hierarchy of GAAP for State and Local Governments*. The District also applies pronouncements issued on or before November 30, 1989 by the Financial Accounting Standards Board and the Accounting Principles Board, unless those pronouncements conflict with or contradict GASB pronouncements.

b. 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.

c. State statutes authorize the District to invest in: direct obligations of federally insured banks and savings and loan associations; insured obligations of Illinois credit unions; securities issued or guaranteed by the U.S. Government; money market mutual funds investing only in U.S. Government based securities; commercial paper of U.S. corporations with assets over $500 million; short-term obligations of the Federal National Mortgage Association; repurchase agreements; and the investment pools managed by the State Treasurer of Illinois.

d. The District levies property taxes each year, on all taxable real property located within the District's boundaries, on or before the last Tuesday in December. The 2010 tax levy was passed by the Board of Trustees on October 22, 2010. 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, 2011 and 2010 was from the 2010 and 2009 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 deferred revenue of $562,491 and $465,503 for the years ended June 30, 2011 and 2010, respectively, that represents property taxes collected from two constituents that have contested their property tax payments. The deferred 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.

e. 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.

f. Operating grant revenue is recognized as it is earned. Capital grant revenue is recorded as capital grant expenditures are incurred. There was $12,175,813 in capital grant revenue during the fiscal year ended June 30, 2011 and $4,238,123 in capital grant revenue during the fiscal year ended June 30, 2010.

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

h. 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.

i. The District calculates the liability for unused sick leave using the vesting method. The District considers the liability for accrued compensated absences to be entirely a current liability.

j. 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.

k. 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.

l. 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.

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, 2011, $22,777 of the District's bank balance of $6,498,412 was exposed to custodial credit risk. The $22,777 was uninsured and uncollateralized at June 30, 2011.

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.

At June 30, 2011, the District held $7,361,288 in the Illinois Funds Money Market and Prime funds, which reconciled to a book balance of $6,951,283. 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, 2011 and 2010, the District had the following investments and maturities:

	June 30, 2011		
		Investment Maturities in Years	
	Fair Value	Less Than 1 Year	1 to 5 Years
Certificates of Deposit	$ 169,472	$ 169,472	$ -

	June 30, 2010		
		Investment Maturities in Years	
	Fair Value	Less Than 1 Year	1 to 5 Years
Certificates of Deposit	$ 5,455,108	$ 5,455,108	$ -

Custodial Credit Risk – Investments

At June 30, 2011, the District had no custodial credit risk.

Interest Rate Risk – Investments

As a means of limiting its risk to fair value losses arising from rising interest rates, the District's investment policy calls for investments to be structured so that securities mature to meet cash requirements for ongoing operations and for investing operating funds primarily in shorter-term securities, money market mutual funds, and similar investment pools. The District's investment policy calls for investments to be preferentially invested in instruments with maturities of 180 days. Specifically, the policy limits investments in instruments with maturities over two years and one year to ten percent and twenty percent, respectively, of the District's total investments. At June 30, 2011, the District held no investments in instruments with maturities in excess of two years and no investments with maturities over one year. The policy also limits to fifteen percent the investments in instruments with maturities of sixty days or less. At June 30, 2011, the District held no investments under sixty days.

Concentration of Credit Risk – Investments and Cash Equivalents

The District's investment policy calls for diversification by limiting the investment in any one issuer, except for government backed securities, to twelve percent of the District's investments and cash equivalents. At June 30, 2011, the District had no investments or cash equivalents greater than 5 percent of total investments and cash equivalents with any issuer.

4. Accounts Receivable

Accounts receivable consists of the following:

	2011	2010
Property Taxes	$ 3,122,284	$ 3,036,079
State Operating Grant	1,987,976	5,873,304
Federal Capital Grant	410,065	200,818
Employees	104,047	104,240
University of Illinois	74,320	37,160
Trade	46,713	129,328
Interest	734	19,557
State Replacement Tax	27,344	25,645
Federal Operating Grant	-	1,056
Total Accounts Receivable, Net	$ 5,773,483	$ 9,427,187

Operating Assistance Grants

During the years ended June 30, 2011 and 2010, 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. Fiscal years 2005 through 2011 remain open, pending IDOT's review and approval.

As of June 30, 2011 and 2010, the estimated amounts due to and from IDOT, respectively, are as follows:

	2011	2010
Fiscal Year 2011 Grant Agreement	$ 1,987,976	$ -
Fiscal Year 2010 Grant Agreement	60,071	5,873,304
Fiscal Year 2009 Grant Agreement	-	(779,023)
Fiscal Year 2005 Grant Agreement	59,965	59,965
Fiscal Year 2004 Grant Agreement	(291,148)	(291,148)
Fiscal Year 2003 Grant Agreement	(228,471)	(228,471)
Fiscal Year 2002 Grant Agreement	(204,374)	(204,374)
Fiscal Year 2001 Grant Agreement	(11,187)	(11,187)
Net Amount due from IDOT	$ 1,372,832	$ 4,419,066

The $1,987,976 and $5,873,304 due to the District under the fiscal year 2011 and 2010 grant agreements, respectively, are included in receivables as of June 30, 2011 and 2010. The remaining $615,144 and $1,454,238 due to IDOT as of June 30, 2011 and 2010, respectively, are included in current liabilities. The District has set up a reserve of cash, cash equivalents, and investments totaling $735,180 at December 31, 2011 and 2010 related to the fiscal year 2001 through 2004 balances noted above.

5. Inventories

Inventories consist of the following:

	2011	2010
Materials and Supplies	$ 602,605	$ 629,491
Fuel and Lubricant	70,619	61,246
	$ 673,224	$ 690,737

6. Property and Equipment, Net

Property and Equipment consist of the following:

	June 30, 2010	Additions	Disposals	June 30, 2011
Assets Not Being Depreciated:				
Land	$ 1,475,159	$ -	$ -	$ 1,475,159
Construction in Progress	2,967,171	7,149,335	8,127,735	1,988,771
Assets Being Depreciated:				
Land Improvements	223,552	-	-	223,552
Office, Garage, and Building Facilities	30,043,754	5,243,062	133,364	35,153,452
Revenue Vehicles	29,641,316	14,326,352	4,262,370	39,705,298
Service Vehicle	291,394	-	16,383	275,011
Passenger Shelters	1,017,161	272,360	-	1,289,521
Other Equipment	2,084,497	1,224,808	172,935	3,136,370
Total Property and Equipment	67,744,004	28,215,917	12,712,787	83,247,134
Less: Accumulated Depreciation	(30,324,402)	(3,794,601)	(4,585,052)	(29,533,950)
Property and Equipment, Net	$ 37,419,602	$ 24,421,316	$ 8,127,735	$ 53,713,184

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 $2,712,214 and $2,397,877 at June 30, 2011 and 2010, 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. On July 1, 2008, 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 31st, will be deposited into the employee’s RHSP account. Any salaried employee’s unused vacation, earned as of June 30 each year, above a 12 week accumulation limit, not used by December 31st, will be deposited in the employee’s RHSP account. All employees are eligible for payout of their unused vacation at separation from the District.

Any salaried employee's sick hours above 750 hours, earned as of June 30 of each year and not used by December 31st, will be deposited into the employee's RHSP account. 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 RHSP account. Operators and maintenance employees are eligible for payout of all their unused earned time at separation from the District.

8. Lines of Credit

The District has two lines of credit, each of which has a borrowing limit of $3,000,000. The first line of credit matures on November 30, 2011 and bears interest at a varying rate equal to LIBOR plus 3.25 basis points with a minimum rate of 4.0 percent. The rate was 4.0 percent at June 30, 2011. This line of credit is secured by substantially all assets of the District. As of June 30, 2011, there was an outstanding balance of $1,455,074. The second line of credit matures on December 5, 2011 and bears interest at a varying rate equal to LIBOR plus 3.25 basis points with a minimum rate of 4.0 percent. The rate was 4.0 percent at June 30, 2011. As of June 30, 2011, there was an outstanding balance of $1,223,734.

9. Restricted Net Assets

At June 30, 2011 and 2010, the District had no restricted net assets.

10. Unrestricted Net Assets

Unrestricted net assets consist of the following:

	2011	2010
Board Designated for Capital Reserves	$ 1,493,711	$ 2,530,830
Undesignated	11,742,951	9,892,286
Total Unrestricted Net Assets	$ 13,236,662	$ 12,423,116

11. Lease Revenue

The District is the lessor of office and retail space under operating leases expiring in various years through October 31, 2019. 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 $34,283,579 and $23,442,167, respectively, at June 30, 2011.

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

Fiscal Year Ending June 30		
2012	$	535,693
2013		299,115
2014		243,364
2015		203,801
2016		175,222
Thereafter		548,152
Total	$	2,005,347

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.

12. Lease Commitments

The District leases furniture, equipment, and vehicles under various non-cancelable operating leases, expiring at various times between September 2011 and March 2014. Future minimum lease payments under these operating leases are as follows:

Fiscal Year Ending June 30		
2012	$	80,808
2013		34,300
2014		11,398
Total	$	126,506

Total rental expense for operating leases for the years ended June 30, 2011 and 2010 was $182,529 and $247,063, respectively. Lease expense for the year ended June 30, 2010 also includes $266,927 related to a lease that ended during that fiscal year.

13. Incentive Plan

The District has an incentive plan to encourage the tenure of the current Managing Director. The plan calls for the District to place funds into an interest-bearing account each year through 2014. The District's value in the incentive plan account totaled $68,670 and $62,941 as of June 30, 2011 and 2010, respectively. The liability recorded for this incentive plan was $77,172 and $65,962 as of June 30, 2011 and 2010, respectively. By contract, the balance in this account will be available for payout to the Managing Director over a four-year period which began in January 2011. The expected payout in fiscal year 2012 is $54,958.

14. 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, 2011 and 2010, the District has recorded an expense of $40,400 and $174,447, respectively, including the present value of expected future payments at June 30 using an interest rate of 0.12 percent. The District had a liability of $680,000 and $820,000, respectively, related to this plan at June 30, 2011 and 2010 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	
2012	$ 195,490
2013	252,805
2014	140,506
2015	48,830
2016	45,656
Total Value of Projected Payments	683,287
Less: Discounting at 0.12 Percent	3,287
Total Liability	$ 680,000

15. Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2011:

	June 30, 2010	Issued	Retired	June 30, 2011	Due Within One Year
Incentive and Early Retirement Plans	$ 885,962	$ 148,394	$ (277,184)	$ 757,172	$ 249,958

16. 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.

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 2010 used by the District was 11.40 percent of annual covered payroll. The District's annual required contribution rate for calendar 2010 was 11.77 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 – For fiscal year 2011, the District's annual pension cost was $1,645,966 for the Regular Plan. The District's actual contribution for fiscal year 2011 was $1,595,885. Through June 30, 2011, the District's net pension obligation was $50,081.

Three-Year Trend Information for the Regular Plan

Fiscal Year Ending June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2011	$ 1,645,966	97%	$ 50,081
2010	1,449,014	100%	-
2009	1,253,906	100%	-

The net pension obligation for the District as of June 30, 2011 is as follows:

Annual Required Contribution	$ 1,645,966
Interest on the NPO	-
Adjustment to the ARC	-
Annual Pension Cost	1,645,966
Actual Contribution	1,595,885
Increase to the NPO	50,081
Beginning of Year NPO	-
End of Year NPO	$ 50,081

The required contribution for calendar 2010 was determined as part of the December 31, 2008, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2008, 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, 2008 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, 2010, the most recent actuarial valuation date, the regular plan was 72.26 percent funded. The actuarial accrued liability for benefits was $38,574,962 and the actuarial value of assets was $27,874,886, resulting in an underfunded actuarial liability (UAAL) of $10,700,076. The covered payroll (annual payroll of active employees covered by the plan) was $13,535,620 and the ratio of the UAAL to the covered payroll was 79.05 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.

17. 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. At June 30, 2011 and 2010, the District had prepaid balances of $37,192 and $242,387, respectively. Losses and claims recognized for the years ended June 30, 2011 and 2010 totaled $340,501 and $513,064, 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 following table is a summary of the coverage in effect for the members of IPTRMA for the period April 1, 2011 through April 1, 2012:

Coverage Type	Self-Insured Retention	Coverage Limits	Insurance Company
Package:			
General Liability	$ 25,000	$5,000,000/Occurrence & Annual	Illinois Union Insurance Co.
Auto Liability	$ 500,000	$5,000,000/Accident	Illinois Union Insurance Co.
Property	$ -	$61,117,365/Occurrence	Federal Insurance & Chubb

Coverage Type	Self-Insured Retention	Coverage Limits	Insurance Company
Excess Liability	$ -	$10,000,000/Occurrence & Annual	Catlin Insurance Company
Public Officials/ Employment Practices	$ -	$5,000,000/Occurrence & Annual	Illinois Union Insurance Co.

The District is self-insured for worker's compensation and employer's liability claims. Losses and claims are accrued as incurred. Losses and claims recognized for the years ended June 30, 2011 and 2010 totaled $97,920 and $50,732, 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.

18. Major Customer

Yearly passes revenue for the years ended June 30, 2011 and 2010 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, 2011 and 2010 was $4,310,418 and $4,359,245, respectively. At June 30, 2011 and 2010, amounts due from the University of Illinois included in accounts receivable were $74,320 and $37,160, respectively.

19. Commitments

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

Purpose	Contract Amount	Incurred Through June 30, 2011	Remaining Commitment
Security Cameras	$ 1,112,082	$ 521,460	$ 590,622
Revenue Vehicles	7,533,746	-	7,533,746
Construction	492,680	-	492,680

$1,000,000 of federal grant funding has been secured to pay for the camera system. $7,203,000 of federal and state grant funding has been secured to pay for the revenue vehicles.

20. Contingencies

As of June 30, 2011, 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 $360,000 and $505,000, some or all or which will be covered by the IPTRMA loss reserve fund and insurance coverage. As of June 30, 2011, the District has not recorded a liability or expense for these claims.

As of June 30, 2011, the District is also involved in five worker compensation claims with current and former employees. An estimate of the District's potential loss, if any, cannot be made. As of June 30, 2011, the District has not recorded a liability or expense for these claims.

CHAMPAIGN-URBANA MASS TRANSIT DISTRICT

Required Supplementary Information

Schedule of Funding Progress
(Unaudited)

June 30, 2011

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/10	$ 27,874,886	$ 38,574,962	$ 10,700,076	72.26%	$ 13,535,620	79.05%
12/31/09	26,252,028	35,486,553	9,234,525	73.98%	12,595,411	73.32%
12/31/08	25,253,208	32,417,713	7,164,505	77.90%	11,445,542	62.60%

On a market value basis, the actuarial value of assets as of December 31, 2010 is $29,527,729. On a market basis, the funded ratio would be 76.55 percent.

CHAMPAIGN-URBANA MASS TRANSIT DISTRICT

Schedules of Operating Expenses

For the Years Ended June 30, 2011 and 2010

	2011	2010
Operations		
Wages		
Operators	$ 7,116,229	$ 6,795,767
Street Supervisors and Dispatchers	728,998	690,967
Other Supervisors	360,668	345,777
Clerical	145,661	118,357
Labor Credit	(2,384)	(8,287)
Total Wages	8,349,172	7,942,581
Fringe Benefits		
Paid Absences	1,902,452	1,819,802
Health and Dental Insurance	1,454,180	1,345,006
Illinois Municipal Retirement Fund	1,224,844	1,029,247
Social Security Tax	850,344	720,387
Workers' Compensation Insurance and Claims	99,332	55,814
Uniform Allowances	32,174	27,811
Unemployment Insurance	44,881	49,116
Early Retirement Plan	40,400	174,447
Other Fringe Benefits	50,129	42,144
Total Fringe Benefits	5,698,736	5,263,774
Services		
ADA	478,368	447,818
Taxi	164,642	153,105
Printing	87,177	99,373
Other Services	43,067	44,045
Total Services	773,254	744,341
Materials and Supplies Consumed		
Fuel and Lubrications	2,289,028	1,829,814
Tires and Tubes	77,065	86,611
Small Equipment	19,352	15,657
Other Materials and Supplies Consumed	18,193	19,229
Total Materials and Supplies Consumed	2,403,638	1,951,311
Miscellaneous		
Leased Equipment	78,783	376,591
Other	15,018	10,893
Total Miscellaneous	93,801	387,484
Total Operations	$ 17,318,601	$ 16,289,491

CHAMPAIGN-URBANA MASS TRANSIT DISTRICT

Schedules of Operating Expenses

For the Years Ended June 30, 2011 and 2010

	2011	2010
Maintenance		
Wages		
Mechanics	$ 1,033,449	$ 1,039,004
Cleaners	554,588	547,275
Supervisors and Clerical	348,847	342,285
Total Wages	1,936,884	1,928,564
Fringe Benefits		
Health and Dental Insurance	395,459	396,072
Paid Absences	339,710	325,052
Illinois Municipal Retirement Fund	267,079	240,182
Social Security Tax	186,930	166,717
Workers' Compensation Insurance and Claims	32,609	28,784
Uniform and Tools Allowance	24,539	24,670
Unemployment Insurance	12,605	12,106
Other Fringe Benefits	26,390	10,525
Total Fringe Benefits	1,285,321	1,204,108
Services		
Contract Maintenance	82,927	76,271
Other Services	20,982	1,828
Total Services	103,909	78,099
Materials and Supplies Consumed		
Revenue Vehicles Repairs	1,305,358	1,483,828
Buildings and Grounds Repairs	117,300	102,389
Service Supplies	49,535	56,535
Fuel and Lubricants	122,091	101,367
Service Vehicles Repairs	22,341	24,407
Shop Tools	23,907	25,380
Passenger Shelter Repairs	39,328	38,859
Garage Equipment Repairs	18,636	17,934
Other Materials and Supplies Consumed	53,984	18,036
Total Materials and Supplies Consumed	1,752,480	1,868,735
Miscellaneous		
Leased Equipment	19,283	15,672
Other	4,507	2,224
Total Miscellaneous	23,790	17,896
Total Maintenance	$ 5,102,384	$ 5,097,402

CHAMPAIGN-URBANA MASS TRANSIT DISTRICT

Schedules of Operating Expenses

For the Years Ended June 30, 2011 and 2010

	2011	2010
General Administration		
Wages		
Supervisors	$ 1,136,639	$ 1,085,665
Clerical	172,678	157,618
Total Wages	1,309,317	1,243,283
Fringe Benefits		
Health and Dental Insurance	178,829	142,672
Illinois Municipal Retirement Fund	150,894	119,433
Social Security Tax	129,536	73,762
Unemployment Insurance	3,658	3,745
Workers' Compensation Insurance and Claims	744	630
Other Fringe Benefits	57,394	19,763
Total Fringe Benefits	521,055	360,005
Services		
Professional and Technical	668,763	576,505
Contract Maintenance	198,730	261,830
Printing	1,235	3,299
Other Services	7,571	3,455
Total Services	876,299	845,089
Materials and Supplies Consumed		
Small Equipment	21,908	25,907
Buildings and Grounds Repair	(355)	(367)
Office Supplies	46,804	32,783
Total Materials and Supplies Consumed	68,357	58,323
Casualty and Liability Costs		
Uninsured Public Liability	359,258	513,064
Public Liability and Property Damage Insurance	306,847	322,681
Physical Damage Insurance	23,371	28,928
Insurance and Property Damage Recoveries	(59,140)	(26,229)
Other Insurance	31,171	32,196
Total Casualty and Liability Costs	661,507	870,640

CHAMPAIGN-URBANA MASS TRANSIT DISTRICT

Schedules of Operating Expenses

For the Years Ended June 30, 2011 and 2010

	2011	2010
Miscellaneous		
Utilities	327,030	327,217
Leased Equipment	84,463	121,727
Advertising	102,687	138,588
Property Taxes	673	658
Dues and Subscriptions	51,080	53,721
Travel and Meetings	51,180	51,633
Advertising Services	105	1,988
Interest Expense	30,731	28,748
Other	22,111	36,025
Total Miscellaneous	670,060	760,305
Total General Administration	$ 4,106,595	$ 4,137,645
Illinois Terminal		
Wages		
Supervisors	$ 93,038	$ 80,623
Cleaners	128,264	106,774
Security	113,610	99,422
Clerical	116,909	112,146
Total Wages	451,821	398,965
Fringe Benefits		
Health and Dental Insurance	91,524	87,284
Illinois Municipal Retirement Fund	52,669	41,566
Social Security Tax	34,667	29,266
Uniform and Tool Allowances	2,601	3,621
Other Fringe Benefits	1,425	1,350
Total Fringe Benefits	182,886	163,087
Services		
Contract Maintenance	24,027	32,104
Professional Services	3,188	6,153
Other Services	1,965	755
Total Services	29,180	39,012

CHAMPAIGN-URBANA MASS TRANSIT DISTRICT

Schedules of Operating Expenses

For the Years Ended June 30, 2011 and 2010

	2011	2010
Materials and Supplies Consumed		
Buildings and Grounds Repairs	146,791	139,706
Services Supplies	18,905	22,746
Shop Tools	9,985	36,569
Other Materials and Supplies Consumed	5,001	3,382
Total Materials and Supplies Consumed	180,682	202,403
Miscellaneous		
Utilities	138,225	126,317
Advertising Services	-	878
Other	107,669	72,990
Total Miscellaneous	245,894	200,185
Total Illinois Terminal	$ 1,090,463	$ 1,003,652
Depreciation		
Revenue Vehicles, Fareboxes, and Radios	$ 2,546,924	$ 1,878,223
Office and Garage Facilities	865,461	735,029
Office and Garage Equipment	153,791	106,123
Service Vehicles	36,230	21,202
Other Equipment	192,195	136,763
Total Depreciation	$ 3,794,601	$ 2,877,340

CHAMPAIGN-URBANA MASS TRANSIT DISTRICT

Schedule of Revenue and Expenses
Under Downstate Operating Assistance Grant OP-11-01-IL

For the Year Ended June 30, 2011

Operating Revenue and Income:			
401	Passenger Fares for Transit Services	$	994,047
402	Special Transit Fares		4,539,655
403	School Bus Service		428,733
406	Auxiliary Revenue		176,963
407	Non-Transportation Revenue		793,276
	Total Operating Revenue and Income	$	6,932,674
Operating Expenses:			
501	Labor	$	12,047,194
502	Fringe Benefits		7,687,998
503	Professional Services		1,139,632
504	Materials and Supplies Consumed		4,405,157
505	Utilities		465,255
506	Casualty and Liability		661,507
507	Taxes		5,003
508	Special Transit Services		643,010
509	Miscellaneous Expense		350,027
511	Short Term Debt Obligation		30,731
512	Leases, Rentals, and Purchase-Lease Payments		182,529
517	Debt Service on Equipment/Facilities		3,611,208
	Total Operating Expenses		31,229,251
Less: Ineligible Expenses			
	Expenses Related to the Non-Transportation Areas of Illinois Terminal		(111,948)
	Property Tax and Insurance Expense for the Non-Transportation Area of 1101 East University Facility		(2,844)
	Other Miscellaneous Expenses of 1101 East University		(94,491)
	Professional Services Not Related to Transportation Services		(69,055)
	Expenses Reimbursed through Federal Operating Grants		(24,205)
	APTA and IPTA Dues		(4,300)
	Total Ineligible Expenses		(306,843)
	Total Eligible Operating Expenses	$	30,922,408
Total Eligible Operating Expenses		$	30,922,408
Total Operating Revenue and Income			6,932,674
Deficit		$	(23,989,734)
Sixty-Five Percent of Eligible Expense		$	20,099,565
Maximum Contract Amount		$	20,636,000
Eligible Downstate Operating Assistance (Deficit or Sixty-Five Percent of Eligible Expense or Maximum Contract Amount, Whichever is Less)		$	20,099,565
Fiscal Year 2011 Downstate Operating Assistance Received (Through June 30, 2011)			18,111,589
Fiscal Year 2011 Downstate Operating Assistance Received (Subsequent to June 30, 2011)			1,988,598
Fiscal Year 2011 Downstate Operating Assistance Over Paid		$	(622)

CHAMPAIGN-URBANA MASS TRANSIT DISTRICT

Schedule of Prior Audit Findings –
Downstate Operating Assistance Grant

For the Year Ended June 30, 2011

No findings noted in the prior year.

CHAMPAIGN-URBANA MASS TRANSIT DISTRICT

Schedule of Auditor Assurances Applicable to
Downstate Operating Assistance Grant OP-11-01-IL

For the Year Ended June 30, 2011

1. The financial statements of the Champaign-Urbana Mass Transit District are prepared in accordance with accounting principles generally accepted in the United States of America as adopted by the Governmental Accounting Standards Board.

2. The Champaign-Urbana Mass Transit District complied with the Regulations for Operating Assistance to Downstate Areas.

3. The system of internal accounting controls and procedures was adequate relating to funds received and costs charged to the grant.

4. State funds were expended in accordance with the grant contract.

5. Financial reports and claims for advances were accurate and complete with no exceptions.

CHAMPAIGN-URBANA MASS TRANSIT DISTRICT

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2011

Federal Grantor/ Program Title	CFDA Number		Grant Number	Total Awards Expended
U.S. Department of Transportation - Federal Transit Administration Direct:				
Federal Transit Cluster:				
Capital Investment Grants:				
Capital Investment Grant	20.500	*	IL-04-0052-01	$ 121,362
Formula Grants:				
Urbanized Area Formula Program	20.507	*	IL-90-X638-01	8,697,863
ARRA - Urbanized Area Formula Program	20.507	*	IL-96-X011-00	500,000
ARRA - Urbanized Area Formula Program	20.507	*	IL-96-X012-00	321,460
ARRA - Urbanized Area Formula Program	20.507	*	IL-96-X018-00	1,061,496
Total Federal Transit Cluster - Direct				10,702,181
Public Transportation Research	20.514		IL-26-006-00	17,948
ARRA - Transit Investments for Greenhouse Gas and Energy Reduction (TIGGER)	20.523	*	IL-77-0002-00	450,000
U.S. Department of Transportation - Federal Transit Administration Pass Through Programs from: Illinois Department of Transportation				
Federal Transit Cluster:				
Formula Grants:				
ARRA - Paratransit Bus Hybrid Program	20.507	*	IL-77-0004-00	576,823
Highway Planning and Construction	20.205		P-40-509-08	24,205
Total U.S. Department of Transportation				11,771,157
U.S. Environmental Protection Agency - Pass Through Programs from: Illinois Environmental Protection Agency				
ARRA - National Clean Diesel Emissions Reduction Program	66.039	*	ARNAT34	444,863
Total				$ 12,216,020

* - Denotes a major program

Notes to Schedule of Expenditures of Federal Awards:

The accompanying Schedule of Expenditures of Federal Awards is a summary of the activity of the Champaign-Urbana Mass Transit District's federal award programs presented on the accrual basis of accounting for the year ended June 30, 2011. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in the basic financial statements.

CHAMPAIGN-URBANA MASS TRANSIT DISTRICT

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2011

1. Summary of Auditors' Results

(*i*) Type of auditors' report issued on the financial statements: Unqualified

(ii) The audit did not disclose a material weakness in internal control over financial reporting.

(iii) The audit did not disclose instances of noncompliance material to the financial statements.

(iv) The audit did not disclose significant deficiencies in internal control over the major federal awards.

(v) Type of auditors' report issued on compliance for major programs

U.S. Department of Transportation - Federal Transit Administration:

- Federal Transit Cluster: Unqualified
- ARRA-TIGGER: Unqualified
- ARRA-National Clean Diesel: Unqualified

(vi) The audit did not disclose a finding that is required to be reported in accordance with Section 510(a) of OMB Circular A-133.

(*vii*) Major programs:

U.S. Department of Transportation - Federal Transit Administration:

- Federal Transit Cluster
  - CFDA #20.507 and CFDA #20.500
- CFDA #20.523
- CFDA #66.039

(*viii*) The dollar threshold used to distinguish Type A and Type B programs was $366,481.

(*ix*) Champaign-Urbana Mass Transit District does not qualify as a low risk auditee.

2. Findings – Financial Statement Audit

None noted.

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

None noted.

CHAMPAIGN-URBANA MASS TRANSIT DISTRICT

Summary Schedule of Prior Audit Findings for Federal Awards

For the Year Ended June 30, 2011

Finding: 10-01: Material Adjusting Journal Entries Identified as a Result of Procedures Applied by the District's External Auditors

Material Weakness

Status: No similar finding was noted for the fiscal year ended June 30, 2011.

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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 the financial statements of the Champaign-Urbana Mass Transit District as of and for the year ended June 30, 2011 and have issued our report thereon dated November 04, 2011. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Champaign-Urbana Mass Transit District's internal control over financial reporting as a basis for designing our auditing procedures 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 Champaign-Urbana Mass Transit District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Champaign-Urbana Mass Transit District's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain other matters that we reported to management of the District in a separate letter dated November 04, 2011.

This report is intended solely for the information and use of management, the Board of Trustees, others within the entity, the U.S. Department of Transportation, and the Illinois Department of Transportation and is not intended to be and should not be used by anyone other than these specified parties.

Martin, Hood, Friese & Associates, LLC

Champaign, Illinois
November 04, 2011

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited Champaign-Urbana Mass Transit District's compliance of the with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on Champaign-Urbana Mass Transit District's major federal program for the year ended June 30, 2011. The Champaign-Urbana Mass Transit District's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs (Schedule 6). Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Champaign-Urbana Mass Transit District's management. Our responsibility is to express an opinion on the Champaign-Urbana Mass Transit District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Champaign-Urbana Mass Transit District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Champaign-Urbana Mass Transit District's compliance with those requirements.

In our opinion, the Champaign-Urbana Mass Transit District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2011.

Internal Control Over Compliance

The management of the Champaign-Urbana Mass Transit District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Champaign-Urbana Mass Transit District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Champaign-Urbana Mass Transit District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Trustees, others within the entity, and the U.S. Department of Transportation and is not intended to be and should not be used by anyone other than these specified parties.

Martin, Hood, Friese & Associates, LLC

Champaign, Illinois
November 04, 2011