CHAMPAIGN-URBANA MASS TRANSIT DISTRICT

Urbana, Illinois

Financial Statements and Supplementary Information

For the Years Ended

June 30, 2010 and 2009

CONTENTS

MARTIN
HOOD
FRIESE
& ASSOCIATES, LLC

2507 South Neil St.
Champaign, Illinois 61820
Phone 217.351.2000
Fax 217.351.7726
www.mhfa.net

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, 2010 and 2009, 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, 2010 and 2009, 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 October 22, 2010, 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 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 as a whole. 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
October 22, 2010

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 2010

- The District's financial condition remained stable and strong during FY 2010.

- State of Illinois Assistance continued to be fully funded at 65% of eligible operating expenses.

Financial Highlights – Fiscal Year 2009

- In FY2009 State of Illinois Assistance was 65% of eligible expenses and the appropriation was high enough to support that level of funding

- Increased State of Illinois Funding helped recover a more stable financial footing for the District.

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 $43.3 million to $49.9 million. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the District.

Table 1
Net Assets
(in Millions)

	2010	2009	2008
Current and Other Assets	$ 18.9	$ 19.5	$ 13.4
Capital Assets	37.4	31.6	31.6
Total Assets	56.3	51.1	45.0
Current and Other Liabilities	5.8	7.1	3.9
Long-Term Liabilities	0.7	0.7	0.5
Total Liabilities	6.5	7.8	4.4
Net Assets:			
Invested in Capital Assets	37.4	31.6	31.6
Restricted	-	-	0.1
Unrestricted	12.4	11.7	8.9
Total Net Assets	$ 49.8	$ 43.3	$ 40.6

Fiscal Year 2010 - 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.

Fiscal Year 2009 - The District's net assets increased by 6.51% ($43.3 million compared to $40.6 million during fiscal 2009). Total assets increased approximately $6 million which includes an increase of $1.5 million in accounts receivable with the remainder of the increases in cash or investments.

At the same time, total liabilities increased by almost $3.4 million. The increase was largely due to an increase in accounts payable ($2.0 million) related to the purchase of several buses near year end. The remaining increase is due to an increase in the operating assistance grant payable to $1.5 million (115.4 percent).

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 $2.8 million. As stated previously, the increase in State of Illinois funding has significantly improved financial performance.

Table 2
Changes in Net Assets
(in Millions)

	2010	2009	2008
Operating Revenues:			
Revenues from Transportation Services	$ 5.9	$ 5.4	$ 5.3
Other Operating Revenues	0.9	0.8	0.9
Total Operating Revenues	6.8	6.2	6.2
Operating Expenses:			
Operations	16.3	15.2	14.7
Maintenance	5.1	4.7	4.5
General Administration and Illinois Terminal	5.1	5.1	4.1
Depreciation	2.9	2.6	2.8
Total Operating Expenses	29.4	27.6	26.1
Operating Loss	(22.6)	(21.4)	(19.9)
Non-Operating Revenues:			
Taxes	6.2	6.2	5.8
Operating Grants	18.6	16.1	13.7
Investment Income	0.1	0.2	0.3
Interest Expense	-	-	(0.1)
Total Non-Operating Revenues	24.9	22.5	19.7
Income (Loss) Before Other Revenue	2.3	1.1	(0.2)
Other Revenues:			
Capital Grants	4.2	1.6	-
Increase (Decrease) in Net Assets	6.5	2.7	(0.2)
Net Assets, Beginning of Year	43.3	40.6	40.8
Net Assets, End of Year	$ 49.8	$ 43.3	$ 40.6

Fiscal Year 2010 - 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.

Fiscal Year 2009 - The District's operating revenue remained flat at $6.2 million while non-operating revenue increased by $2.8 million. Operating expenses increased by 5.7% ($1.5 million).

Factors that led to the increases included:

- A 3% increase in Operations expenses ($.5 million). Increased labor and fringe benefit expenses ($.9 million) were partially offset by decreased fuel costs ($.4 million).

- A 4% increase in Maintenance expenses ($.2 million). The majority of the increase was split between Personnel ($.1 million) and Materials & Supplies ($.1 million).

- General Administration costs increased by $0.8 million or 24%. Casualty and Liability expenses increased by 38% or $.3 million. Services increased by $.3 million or 54%.

- Illinois Terminal expenses increased by $.2 million or 22%. Materials and Supplies increased by $.2 million or 141%.

Budgetary Highlights

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 FY 2010 budget.

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

Fiscal Year 2009 - The Board of Trustees approved the District's budget for fiscal year 2009 on June 25, 2008 with an amended budget approved on February 25, 2009. The budget included operating expenses of $26.7 million excluding depreciation. The budget also included capital expenditures of $3.9 million.

- Operating revenue of $6.2 million was $.2 million under budget.

- Operating expenses, less depreciation, totaled $25 million, which was $1.8 million under budget.

Capital Asset Administration

At the end of fiscal year 2010, the District had $37.4 million invested in a broad range of capital assets (see Table 3 below). This is an increase of $5.8 million over fiscal year 2009.

Table 3
Capital Assets at Year-End
(Net of Depreciation in Millions)

	2010	2009	2008
Land and Improvements	$ 1.5	$ 1.5	$ 1.5
Facilities	19.6	20.1	20.8
Revenue Vehicles	11.0	8.5	8.5
Passenger Shelters and Other Equipment	2.3	1.0	0.4
Construction in Progress	3.0	0.5	0.4
Totals	$ 37.4	$ 31.6	$ 31.6

Fiscal Year 2010 - This year's major additions included:

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

The District's fiscal year 2011 capital budget calls for $4 million in local dollars as well as $3.1 million of State of Illinois debt service operating funds. Some of the more significant FY 2011 capital projects from these sources include:

Bus Purchases	$ 4,152,000
STOPwatch Kiosks	852,000
CAD/AVL	300,000
Geothermal, Permeable Paving and Roof for 1101 East University	250,000
Big Broadband	229,000
Shelters/Bus Stops	200,000
	$ 5,983,000

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 2009 - This year's major additions included:

Revenue Vehicles	$ 1,588,374
Service Vehicles and Equipment	188,206
Passenger Shelters	154,625
Miscellaneous Equipment	43,082
Illinois Terminal Improvements	469,160
CAD/AVL Upgrades	79,242
	$ 2,522,689

Long-term Debt Activity

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

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 2009 - The District's long-term debt increased by $.34 million for a total of $.88 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	$ 0.33

Economic Factors and Next Year's Budget

- The State of Illinois budget contained a total of $20.6 million for operating assistance to the District for the fiscal year 2011.

- The District's budget for fiscal year 2011 includes projected operating expenses of $29 million, excluding depreciation. Another $3.1 million is included in the budget as debt service funded by State of Illinois Operating Assistance for the purchase of new buses.

Exhibit A

CHAMPAIGN-URBANA MASS TRANSIT DISTRICT

Balance Sheets

June 30, 2010 and 2009

ASSETS

	2010	2009
Current Assets		
Cash and Cash Equivalents	$ 2,429,550	$ 8,174,508
Investments	2,126,157	-
IDOT Reimbursement Reserve:		
Cash and Cash Equivalents	-	735,180
Investments	735,180	-
Accounts Receivable	9,427,187	5,281,393
Inventories	690,737	708,630
Prepaid Expenses	549,611	39,399
Total Current Assets	15,958,422	14,939,110
Property and Equipment, Net		
Land and Construction in Progress, Not Being Depreciated	4,442,330	2,018,774
Other Property and Equipment, Net of Depreciation	32,977,272	29,550,385
Property and Equipment, Net	37,419,602	31,569,159
Other Assets		
Capital Reserves:		
Cash and Cash Equivalents	-	1,620,459
Investments	2,530,830	2,479,367
Investment Held Under Incentive Plan	62,941	62,380
Capital Assistance Grant Receivable	379,475	379,475
Total Other Assets	2,973,246	4,541,681
Total Assets	$ 56,351,270	$ 51,049,950

LIABILITIES AND NET ASSETS

	2010	2009
Current Liabilities		
Accounts Payable	$ 719,472	$ 2,416,768
Operating Assistance Grant Payable, Net	1,454,238	1,454,238
Accrued Expenses	2,831,558	2,540,690
Unredeemed Yearly Passes and Tokens	141,285	112,081
Obligations Under Early Retirement Plan	165,000	189,000
Other Current Liabilities	476,037	376,785
Total Current Liabilities	5,787,590	7,089,562
Long-Term Liabilities		
Obligations Under Incentive and Early Retirement Plans, Net of Current	720,962	693,380
Total Liabilities	6,508,552	7,782,942
Net Assets		
Invested in Capital Assets, Net of Related Debt	37,419,602	31,569,159
Unrestricted	12,423,116	11,697,849
Total Net Assets	49,842,718	43,267,008
Total Liabilities and Net Assets	$ 56,351,270	$ 51,049,950

The notes following Exhibit C are an integral part of these financial statements

CHAMPAIGN-URBANA MASS TRANSIT DISTRICT

Statements of Revenues, Expenses, and Changes in Net Assets

For the Years Ended June 30, 2010 and 2009

	2010	2009
Operating Revenues		
Yearly Passes	$ 4,534,223	$ 3,811,781
Full Adult Fares	608,893	764,198
Rental of Equipment and Buildings	665,742	637,773
Student Fares and School Bus Service	442,078	436,335
ADA Services	274,895	274,281
Advertising	154,343	150,020
Half-Fare Cab	76,764	72,393
Miscellaneous	56,687	58,262
Total Operating Revenues	6,813,625	6,205,043
Operating Expenses		
Operations	16,289,491	15,177,946
Maintenance	5,097,402	4,732,440
General Administration	4,137,645	4,084,611
Illinois Terminal	1,003,652	1,008,511
Depreciation	2,877,340	2,609,905
Total Operating Expenses	29,405,530	27,613,413
Operating Income (Loss)	(22,591,905)	(21,408,370)
Non-Operating Revenues (Expenses)		
Property Taxes	6,071,084	5,942,082
State Replacement Taxes	171,307	211,754
State of Illinois Operating Assistance Grants	18,584,749	16,010,693
Federal Operating Assistance Grants	31,718	136,622
Investment Income	70,634	184,564
Total Non-Operating Revenues (Expenses)	24,929,492	22,485,715
Income (Loss) Before Other Revenues	2,337,587	1,077,345
Other Revenues		
Capital Grants	4,238,123	1,568,928
Change in Net Assets	6,575,710	2,646,273
Net Assets, Beginning of Year	43,267,008	40,620,735
Net Assets, End of Year	$ 49,842,718	$ 43,267,008

The notes following Exhibit C are an integral part of these financial statements.

Exhibit C

CHAMPAIGN-URBANA MASS TRANSIT DISTRICT

Statements of Cash Flows

For the Years Ended June 30, 2010 and 2009

	2010	2009
Cash Flows From Operating Activities		
Receipts from Customers	$ 7,201,983	$ 5,861,826
Payments to Vendors	(16,251,104)	(11,708,985)
Payments to Employees	(13,544,658)	(12,237,037)
Net Cash Used in Operating Activities	(22,593,779)	(18,084,196)
Cash Flows From Non-Capital and Related Financing Activities		
State Operating Assistance Grant Proceeds Received	12,711,445	17,386,036
Federal Operating Assistance Grant Proceeds Received	35,983	132,654
Tax Proceeds Received	6,216,606	5,937,064
Net Cash Provided by Non-Capital and Related Financing Activities	18,964,034	23,455,754
Cash Flows From Capital and Related Financing Activities		
Federal Capital Grant Proceeds Received	5,606,233	-
Purchase of Property and Equipment	(7,256,125)	(964,205)
Advances of Principal on Lines of Credit	2,315,330	-
Repayments of Principal on Lines of Credit	(2,315,330)	-
Net Cash Used in Capital and Related Financing Activities	(1,649,892)	(964,205)
Cash Flows From Investing Activities		
Proceeds from Sales and Maturities of Investments	3,267,986	4,204,396
Purchase of Investments	(6,181,347)	(3,822,056)
Interest Received	92,400	184,476
Net Cash Provided by (Used in) Investing Activities	(2,820,961)	566,816
Increase (Decrease) in Cash and Cash Equivalents	(8,100,598)	4,974,169
Cash and Cash Equivalents, Beginning of Year	10,530,148	5,555,979
Cash and Cash Equivalents, End of Year	$ 2,429,550	$ 10,530,148
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating Loss	$ (22,591,905)	$ (21,408,370)
Adjustments to Reconcile Operating Loss to		
Net Cash Used in Operating Activities:		
Depreciation	2,877,340	2,609,905
(Increase) Decrease in Assets:		
Accounts Receivable	359,154	(341,881)
Inventories	17,893	(8,492)
Prepaid Expenses	(510,212)	72,445
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	(2,878,087)	573,067
Unredeemed Yearly Passes and Tokens	29,204	(1,335)
Obligations to Employees Under Early Retirement and Incentive Plans	3,582	337,056
Other Current Liabilities	99,252	83,409
Net Adjustments	(1,874)	3,324,174
Net Cash Used in Operating Activities	$ (22,593,779)	$ (18,084,196)

The notes following this Exhibit are an integral part of these financial statements.

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 primarily 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 2009 tax levy was passed by the Board of Trustees on October 28, 2009. 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, 2010 and 2009 was from the 2009 and 2008 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 $465,503 and $372,289 for the years ended June 30, 2010 and 2009, 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.

   In addition to the contested payments, the District is currently in litigation relating to the annexation of properties in Southwest Champaign. If the District's annexation is revoked, the District may be subject to refunding taxes collected on these properties. As of the date of the auditors' opinion, the lawsuit has not been settled. Through June 30, 2010, the District has recorded revenue of approximately $1,692,860 related to these annexed properties. The District has not accrued a liability for these amounts.

   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 $4,238,123 in capital grant revenue during the fiscal year ended June 30, 2010 and $1,568,928 capital grant revenue during the fiscal year ended June 30, 2009.

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, 2010, none of the District's bank balance of $7,042,523 was exposed to custodial credit risk.

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, 2010, the District held $4,672,990 in the Illinois Funds Money Market and Prime funds. 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, 2010 and 2009, the District had the following investments and maturities:

	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	$ -

	June 30, 2009		
		Investment Maturities in Years	
	Fair Value	Less Than 1 Year	1 to 5 Years
Certificates of Deposit	$ 2,541,747	$ 2,351,747	$ 190,000

Custodial Credit Risk – Investments

At June 30, 2010, the District had no custodial credit risk in that all of its investments were held through a Securities Investor Protection Corporation (SIPC) member brokerage firm.

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, 2010, 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, 2010, the District held no investments under sixty days.

Concentration of Credit Risk – Investments

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. The District had no investments greater than 5 percent of total investments with any issuer.

4. Accounts Receivable

Accounts receivable consists of the following:

	2010	2009
Property Taxes	$ 3,036,079	$ 3,002,893
Federal Operating Grant	1,056	5,321
Federal Capital Grant	200,818	1,568,928
State Operating Grant	5,873,304	-
University of Illinois	37,160	421,218
Trade	129,328	81,180
Employees	104,240	115,791
State Replacement Tax	25,645	33,046
Interest	19,557	41,323
Miscellaneous	-	11,693
Total Accounts Receivable, Net	$ 9,427,187	$ 5,281,393

Operating Assistance Grants

During the years ended June 30, 2010 and 2009, 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 2004 through 2010 remain open, pending IDOT's review and approval.

As of June 30, 2010 and 2009, the estimated amounts due to and from IDOT, respectively, are as follows:

	2010	2009
Fiscal Year 2010 Grant Agreement	$ 5,873,304	$ -
Fiscal Year 2009 Grant Agreement	(779,023)	(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)
Total	$ 4,419,066	$ (1,454,238)

The $5,873,304 due to the District under the fiscal year 2010 grant agreement is included in receivables. The remaining $1,454,238 due to IDOT as of June 30, 2010 and 2009, is included in current liabilities.

5. Inventories

Inventories consist of the following:

	2010	2009
Materials and Supplies	$ 629,491	$ 653,797
Fuel and Lubricant	61,246	54,833
	$ 690,737	$ 708,630

6. Property and Equipment, Net

Property and Equipment consist of the following:

	June 30, 2009	Additions	Disposals	June 30, 2010
Assets Not Being Depreciated:				
Land	$ 1,475,159	$ -	$ -	$ 1,475,159
Construction in Progress	543,615	3,309,935	886,379	2,967,171
Assets Being Depreciated:				
Land Improvements	223,552	-	-	223,552
Office, Garage, and Building Facilities	29,426,284	617,470	-	30,043,754
Revenue Vehicles	25,394,895	4,316,633	70,212	29,641,316
Service Vehicle	150,126	143,387		293,513
Passenger Shelters	679,366	337,795	-	1,017,161
Other Equipment	1,245,222	888,941	51,785	2,082,378
Total Property and Equipment	59,138,219	9,614,161	1,008,376	67,744,004
Less: Accumulated Depreciation	(27,569,060)	(2,877,340)	(121,997)	(30,324,402)
Property and Equipment, Net	$ 31,569,159	$ 6,736,821	$ 886,379	$ 37,419,602

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 $2,397,877 and $2,182,444 at June 30, 2010 and 2009, respectively.

As of June 30, 2010, staff may carry over indefinitely up to one-half of eligible vacation-time per year. The rate of vacation leave is calculated based on the employee’s straight-time hourly rate. Sick leave accrues at the rate of one day per month when the employee is not absent without leave or on a leave of absence without pay. Employees are allowed to accumulate sick leave up to a maximum of 1,000 hours (125 days). Employees, who have accumulated at least three-fourths of their maximum allowable hours of sick leave by the end of the last full pay period for each fiscal year, may elect to convert a portion of their accumulated sick leave hours to a cash payment. No more than 150 hours may be converted in one year. The amount of this payment is calculated based on the employee’s straight-time hourly rate at the time of the conversion.

Employees, who have five years or more of continuous service, are eligible to be paid for unused sick leave at separation. The percentage paid ranges from ten to fifty percent based on the number of years of continuous service. The District calculates the liability for sick leave, included in the accrued expenses, using the vesting method.

Beginning July 1, 2008, the District adopted a Retirement Health Savings Plan. In conjunction with the adoption of this plan, the District has amended its policy for the carryover of unused vacation, operator earned time, and salaried employee sick leave. The new policy will reduce the allowable carryover hours for operator earned time and salaried employee sick leave and require excess hours above the carryover limit to be paid to the employee's Retirement Health Savings Plan account. All vacation time not used by December 31, 2009, and each December 31 thereafter, will be paid to the employee (up to a forty hour limit) and/or paid to the employee's Retirement Health Savings Plan account.

8. Lines of Credit

During fiscal year 2010, the District opened two lines of credit, each of which has a borrowing limit of $3,000,000. The first line of credit matures on September 30, 2010 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, 2010. This line of credit is secured by substantially all assets of the District. The line of credit is also subject to restrictive covenants. The District was in compliance with all covenants as of June 30, 2010. The second line of credit matures on October 5, 2010 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, 2010. As of June 30, 2010, there was no balance due on either line of credit.

9. Restricted Net Assets

At June 30, 2010 and 2009, the District had no restricted net assets.

10. Unrestricted Net Assets

Unrestricted net assets consist of the following:

	2010	2009
Board Designated for Capital Reserves	$ 2,530,830	$ 4,099,826
Undesignated	9,892,286	7,598,023
Total Unrestricted Net Assets	$ 12,423,116	$ 11,697,849

11. Lease Revenue

The District is the lessor of office and retail space under operating leases expiring in various years through August 31, 2014. 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 $31,218,004 and $21,108,689, respectively, at June 30, 2010.

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

Fiscal Year Ending June 30		
2011	$	586,348
2012		485,989
2013		278,501
2014		222,750
2015		183,188
Thereafter		651,646
Total	$	2,408,421

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

Furniture, Equipment, and Vehicle Leases

The District leases furniture, equipment, and vehicles under various non-cancelable operating leases, expiring at various times between September 2010 and March 2016. Future minimum lease payments under these operating leases are as follows:

Fiscal Year Ending June 30		
2011	$	156,542
2012		72,333
2013		25,825
2014		6,840
Total	$	261,540

Total rental expense for operating leases for the years ended June 30, 2010 and 2009 was $247,063 and $202,136, respectively.

13. Incentive Plan

The District has initiated 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. The District's value in the incentive plan account totaled $62,941 and $62,380 as of June 30, 2010 and 2009, respectively. By contract, the balance in this account will be available for payout to the Managing Director over a four-year period beginning January 2011.

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, 2010 and 2009, the District has recorded an expense of $174,447 and $377,522, respectively, including the present value of expected future payments at June 30 using an interest rate of 1.07 percent. The District had a liability of $820,000 and $820,000, respectively, related to this plan at June 30, 2010 and 2009 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	
2011	$ 165,933
2012	228,136
2013	299,739
2014	141,402
Total Value of Projected Payments	835,210
Less: Discounting at 1.07 Percent	(15,210)
Total Liability	$ 820,000

15. Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2010:

	June 30, 2009	Issued	Retired	June 30, 2010	Due Within One Year
Incentive and Early Retirement Plans	$ 882,380	$ 158,812	$ (155,230)	$ 885,962	$ 165,000

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 2009 was 10.36 percent of annual covered payroll. 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 ending June 30, 2010, the District's annual pension cost of $1,304,885 for the regular plan was equal to the District's required and actual contributions.

Three-Year Trend Information for the Regular Plan

Fiscal Year Ending December 31	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2009	$ 1,304,885	100%	$ -
2008	1,202,926	100%	-
2007	1,165,197	100%	-

The required contribution for 2009 was determined as part of the December 31, 2007, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2007, 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 15 percent corridor between the actuarial and market value of assets. The District's regular plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2007, valuation was 23 years.

Funded Status and Funding Progress – As of December 31, 2009, the most recent actuarial valuation date, the regular plan was 73.98 percent funded. The actuarial accrued liability for benefits was $35,486,553 and the actuarial value of assets was $26,252,028, resulting in an underfunded actuarial liability (UAAL) of $9,234,525. The covered payroll (annual payroll of active employees covered by the plan) was $12,595,411 and the ratio of the UAAL to the covered payroll was 73 percent. In conjunction with the December 2009 actuarial valuation, the market value of investments was determined using techniques that spread the effect 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. In 2010, the unfunded actuarial accrued liability is being amortized on a level percentage of projected payroll on an open 30 year basis.

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, 2010 and 2009, the District had prepaid balances of $242,387 and $0, respectively. Losses and claims recognized for the years ended June 30, 2010 and 2009 totaled $513,064 and $601,543, 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, 2010 through April 1, 2011:

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	$	50,000	$61,191,972/Occurrence	Federal Insurance & Chubb
Excess Liability	$	-	$10,000,000/Occurrence & Annual	Catlin Insurance Company
Public Officials/ Employment Practices	$	25,000	$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, 2010 and 2009 totaled $50,732 and $44,623, 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, 2010 and 2009 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, 2010 and 2009 was $4,359,245and $3,604,523, respectively. At June 30, 2010 and 2009, amounts due from the University of Illinois included in accounts receivable were $37,160 and $421,218, respectively.

19. Commitments

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

Purpose	Contract Amount	Incurred Through June 30, 2010	Remaining Commitment
Transportation Consulting	$ 563,770	$ 544,770	$ 19,000
Building and Land Improvements	1,818,085	-	1,818,085
Training Simulator	566,759	-	566,759
Revenue Vehicle Camera System Consultant	86,197	-	86,197
STOPwatch Kiosks	820,461	-	820,461
Paranet Upgrade	226,431	-	226,431
Revenue Vehicles (23)	13,068,629	-	13,068,629
Diesel Particulate Filters	444,863	-	444,863

Approximately $11,800,000 of federal grant funding has been secured to pay for the construction projects, training simulator, camera system consultant, revenue vehicles, and diesel particulate filters.

20. Contingencies

As of June 30, 2010, 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 $330,000 and $430,000, some or all or which will be covered by the IPTRMA loss reserve fund and insurance coverage. As of June 30, 2010, the District has not recorded a liability or expense for these claims.

As of June 30, 2010, the District is also involved in four 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, 2010, 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, 2010

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)
12/31/09	$ 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%
12/31/07	27,545,691	31,251,721	3,706,030	88.14	10,739,148	34.51%

On a market value basis, the actuarial value of assets as of December 31, 2009 is $25,550,458. On a market basis, the funded ratio would be 72.00 percent.

Schedule 1

CHAMPAIGN-URBANA MASS TRANSIT DISTRICT

Schedules of Operating Expenses

For the Years Ended June 30, 2010 and 2009

	2010	2009
Operations		
Wages		
Operators	$ 6,795,767	$ 6,206,288
Street Supervisors and Dispatchers	690,967	655,959
Other Supervisors	345,777	326,092
Clerical	118,357	112,325
Labor Credit	(8,287)	-
Total Wages	7,942,581	7,300,664
Fringe Benefits		
Paid Absences	1,819,802	1,524,054
Health and Dental Insurance	1,345,006	1,160,216
Illinois Municipal Retirement Fund	1,029,247	889,002
Social Security Tax	720,387	651,852
Workers' Compensation Insurance and Claims	55,814	56,237
Uniform Allowances	27,811	33,229
Unemployment Insurance	49,116	43,353
Early Retirement Plan	174,447	377,522
Other Fringe Benefits	42,144	50,792
Total Fringe Benefits	5,263,774	4,786,257
Services		
ADA	447,818	428,068
Taxi	153,105	144,785
Printing	99,373	81,142
Other Services	44,045	45,820
Total Services	744,341	699,815
Materials and Supplies Consumed		
Fuel and Lubrications	1,829,814	1,777,685
Tires and Tubes	86,611	69,963
Small Equipment	15,657	6,310
Other Materials and Supplies Consumed	19,229	19,870
Total Materials and Supplies Consumed	1,951,311	1,873,828
Miscellaneous		
Leased Equipment	376,591	499,756
Other	10,893	17,626
Total Miscellaneous	387,484	517,382
Total Operations	$ 16,289,491	$ 15,177,946

CHAMPAIGN-URBANA MASS TRANSIT DISTRICT

Schedules of Operating Expenses

For the Years Ended June 30, 2010 and 2009

	2010	2009
Maintenance		
Wages		
Mechanics	$ 1,039,004	$ 965,826
Cleaners	547,275	512,806
Supervisors and Clerical	342,285	328,622
Total Wages	1,928,564	1,807,254
Fringe Benefits		
Health and Dental Insurance	396,072	310,723
Paid Absences	325,052	316,018
Illinois Municipal Retirement Fund	240,182	218,006
Social Security Tax	166,717	157,173
Workers' Compensation Insurance and Claims	28,784	18,627
Uniform and Tools Allowance	24,670	26,076
Unemployment Insurance	12,106	10,467
Other Fringe Benefits	10,525	19,467
Total Fringe Benefits	1,204,108	1,076,557
Services		
Contract Maintenance	76,271	77,800
Other Services	1,828	1,041
Total Services	78,099	78,841
Materials and Supplies Consumed		
Revenue Vehicles Repairs	1,483,828	1,392,172
Buildings and Grounds Repairs	102,389	102,406
Service Supplies	56,535	39,767
Fuel and Lubricants	101,367	110,740
Service Vehicles Repairs	24,407	16,457
Shop Tools	25,380	20,437
Passenger Shelter Repairs	38,859	18,428
Garage Equipment Repairs	17,934	30,142
Other Materials and Supplies Consumed	18,036	23,794
Total Materials and Supplies Consumed	1,868,735	1,754,343
Miscellaneous		
Leased Equipment	15,672	13,140
Other	2,224	2,305
Total Miscellaneous	17,896	15,445
Total Maintenance	$ 5,097,402	$ 4,732,440

CHAMPAIGN-URBANA MASS TRANSIT DISTRICT

Schedules of Operating Expenses

For the Years Ended June 30, 2010 and 2009

	2010	2009
General Administration		
Wages		
Supervisors	$ 1,085,665	$ 937,405
Clerical	157,618	167,090
Total Wages	1,243,283	1,104,495
Fringe Benefits		
Health and Dental Insurance	142,672	132,135
Illinois Municipal Retirement Fund	119,433	102,090
Social Security Tax	73,762	66,392
Unemployment Insurance	3,745	3,045
Workers' Compensation Insurance and Claims	630	596
Other Fringe Benefits	19,763	25,158
Total Fringe Benefits	360,005	329,416
Services		
Professional and Technical	576,505	675,214
Contract Maintenance	261,830	158,653
Printing	3,299	100
Other Services	3,455	16,272
Total Services	845,089	850,239
Materials and Supplies Consumed		
Small Equipment	25,907	36,353
Buildings and Grounds Repair	(367)	-
Office Supplies	32,783	34,355
Total Materials and Supplies Consumed	58,323	70,708
Casualty and Liability Costs		
Uninsured Public Liability	513,064	601,543
Public Liability and Property Damage Insurance	322,681	399,439
Physical Damage Insurance	28,928	24,167
Insurance and Property Damage Recoveries	(26,229)	(28,852)
Other Insurance	32,196	42,590
Total Casualty and Liability Costs	870,640	1,038,887

CHAMPAIGN-URBANA MASS TRANSIT DISTRICT

Schedules of Operating Expenses

For the Years Ended June 30, 2010 and 2009

	2010	2009
Miscellaneous		
Utilities	327,217	316,426
Leased Equipment	121,727	109,903
Advertising	138,588	120,417
Property Taxes	658	736
Dues and Subscriptions	53,721	55,056
Travel and Meetings	51,633	53,573
Advertising Services	1,988	8,023
Interest Expense	28,748	-
Other	36,025	26,732
Total Miscellaneous	760,305	690,866
Total General Administration	$ 4,137,645	$ 4,084,611
Illinois Terminal		
Wages		
Supervisors	$ 80,623	$ 74,530
Cleaners	106,774	100,501
Security	99,422	90,389
Clerical	112,146	91,380
Total Wages	398,965	356,800
Fringe Benefits		
Health and Dental Insurance	87,284	71,544
Illinois Municipal Retirement Fund	41,566	35,191
Social Security Tax	29,266	27,235
Uniform and Tool Allowances	3,621	5,878
Other Fringe Benefits	1,350	3,105
Total Fringe Benefits	163,087	142,953
Services		
Contract Maintenance	32,104	35,566
Professional Services	6,153	2,881
Other Services	755	11,531
Total Services	39,012	49,978

CHAMPAIGN-URBANA MASS TRANSIT DISTRICT

Schedules of Operating Expenses

For the Years Ended June 30, 2010 and 2009

	2010	2009
Materials and Supplies Consumed		
Buildings and Grounds Repairs	139,706	134,521
Services Supplies	22,746	20,204
Shop Tools	36,569	99,992
Other Materials and Supplies Consumed	3,382	4,173
Total Materials and Supplies Consumed	202,403	258,890
Miscellaneous		
Utilities	126,317	142,629
Advertising Services	878	-
Other	72,990	57,261
Total Miscellaneous	200,185	199,890
Total Illinois Terminal	$ 1,003,652	$ 1,008,511
Depreciation		
Revenue Vehicles, Fareboxes, and Radios	$ 1,878,223	$ 1,663,299
Office and Garage Facilities	735,029	771,065
Office and Garage Equipment	106,123	66,536
Service Vehicles	21,202	11,033
Other Equipment	136,763	97,972
Total Depreciation	$ 2,877,340	$ 2,609,905

CHAMPAIGN-URBANA MASS TRANSIT DISTRICT

Schedule of Revenue and Expenses
Under Downstate Operating Assistance Grant OP-10-01-IL

For the Year Ended June 30, 2010

Operating Revenue and Income:		
401	Passenger Fares for Transit Services	$ 925,146
402	Special Transit Fares	4,594,683
403	School Bus Service	417,024
406	Auxiliary Revenue	189,613
407	Non-Transportation Revenue	757,793
	Total Operating Revenue and Income	$ 6,884,259
Operating Expenses:		
501	Labor	$ 11,513,393
502	Fringe Benefits	6,990,974
503	Professional Services	1,105,618
504	Materials and Supplies Consumed	4,080,772
505	Utilities	453,534
506	Casualty and Liability	870,640
507	Taxes	1,688
508	Special Transit Services	600,923
509	Miscellaneous Expense	367,910
511	Short Term Debt Obligation	28,748
512	Leases, Rentals, and Purchase-Lease Payments	513,990
517	Debt Service on Equipment/Facilities	2,315,330
	Total Operating Expenses	28,843,520
Less: Ineligible Expenses		
	Expenses Related to the Non-Transportation Areas of Illinois Terminal	(111,872)
	Property Tax and Insurance Expense for the Non-Transportation Area of 1101 East University Facility	(2,725)
	Other Miscellaneous Expenses of 1101 East University	(52,142)
	Professional Services Not Related to Transportation Services	(66,793)
	Expenses Reimbursed through Federal Operating Grants	(13,767)
	APTA and IPTA Dues	(4,300)
	Total Ineligible Expenses	(251,599)
	Total Eligible Operating Expenses	$ 28,591,921
Total Eligible Operating Expenses		$ 28,591,921
Total Operating Revenue and Income		6,884,259
Deficit		$ (21,707,662)
Sixty-Five Percent of Eligible Expense		$ 18,584,749
Maximum Contract Amount		$ 18,760,000
Eligible Downstate Operating Assistance (Deficit or Sixty-Five Percent of Eligible Expense or Maximum Contract Amount, Whichever is Less)		$ 18,584,749
Fiscal Year 2010 Downstate Operating Assistance Received		12,711,445
Fiscal Year 2010 Downstate Operating Assistance Under Paid		$ 5,873,304

CHAMPAIGN-URBANA MASS TRANSIT DISTRICT

Schedule of Prior Audit Findings –
Downstate Operating Assistance Grant

For the Year Ended June 30, 2010

Finding 09-01: On Form OP-6B included with the District's application for the fiscal year 2009 downstate public transportation operating assistance grant, the estimated revenue vehicle hours and estimated passenger amounts were not consistent with the actual revenue vehicle hours and passenger amounts for fiscal years 2008 and 2009. Management did not have documentation supporting how the estimated revenue vehicle hours and estimated passenger amounts were calculated for Form OP-6B.

Status: No similar finding noted in the current year.

Finding 09-02: During the fiscal year ended June 30, 2009, the District purchased replacement furniture for its operating facility totaling approximately $70,000. This amount was included in the District's calculation of eligible operating expenses. Management has determined that since the per unit cost for the furniture items is less than the $5,000 per unit criteria established in its Downstate Operating Assistance Grant, that this expenditure is an eligible operating expenditures. Authoritative pronouncements, under GASB 34, recommend that group purchases such as these be considered for capitalization.

Status: No similar finding noted in the current year.

CHAMPAIGN-URBANA MASS TRANSIT DISTRICT

Schedule of Auditor Assurances Applicable to
Downstate Operating Assistance Grant OP-10-01-IL

For the Year Ended June 30, 2010

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, 2010

Federal Grantor/ Program Title	CFDA Number		Grant Number	Total Awards Expended
U.S. Department of Transportation - Federal Transit Administration				
Federal Transit Cluster:				
Capital Investment Grants:				
Capital Investment Grant	20.500	*	IL-03-0265-00	$ 184,000
Capital Investment Grant	20.500	*	IL-03-0277-00	120,717
Capital Investment Grant	20.500	*	IL-04-0020-00	112,682
Formula Grants:				
Urbanized Area Formula Program	20.507	*	IL-90-X586-00	150,601
Urbanized Area Formula Program	20.507	*	IL-90-X614-00	483,072
Urbanized Area Formula Program	20.507	*	IL-96-X587-00	1,274,386
Urbanized Area Formula Program	20.507	*	IL-90-X584-00	1,725,614
ARRA - Urbanized Area Formula Program	20.507	*	IL-96-X018-00	187,051
Total Federal Transit Cluster				4,238,123
Public Transportation Research	20.514		IL-26-006-00	17,951
U.S. Department of Transportation - Federal Transit Administration Pass Through Programs from: Illinois Department of Transportation				
Highway Planning and Construction	20.205		P-40-509-08	13,767
Total				$ 4,269,841

* - 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, 2010. 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, 2010

1. Summary of Auditors' Results

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

(ii) The audit disclosed 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

(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
  - CFDA #20.500

(*viii*) The dollar threshold used to distinguish Type A and Type B programs was $300,000.

(*ix*) The Champaign-Urbana Mass Transit District does qualify as a low risk auditee.

2. Findings – Financial Statement Audit

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

Material Weakness

Criteria

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

Conditions

Our audit procedures identified misstatements of financial statement amounts provided to us by management. Management was not aware of the noted misstatements prior to our identification of the errors.

Questioned Costs

None

Population and Items Tested

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

Cause of Conditions

One adjusting journal entry corrected the District's service revenue from a specific contract. The District invoiced the customer an additional payment over the stated amount of the contract. The customer paid the invoice and was subsequently refunded by the District. The associated revenue and receivable was not reversed in the District's financial reporting system.

The second adjusting journal entry corrected the District's property tax revenue. The District recorded the property tax revenue based on the Board approved tax levy as opposed to the final tax extension amount for that Board approved levy.

The third adjusting journal entry recorded capital grant revenue for capital grant expenditures incurred in fiscal year 2010. The District had not previously recorded the capital grant revenue.

Effect of Conditions

The District's financial statements as of and for the year ended June 30, 2010 were misstated by a material amount prior to the application of auditing procedures by the District's external auditors.

Auditor's Recommendation

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

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

View of Responsible Official

Management makes a concerted effort to have all necessary and material journal entries identified and recorded prior to giving a trial balance to the auditors. However, the timing of the audit process dictates that entries, some material, will not be known until after the process has begun. There are also entries management knowingly leaves for the auditors to calculate and record as part of the audit process. Some audit entries are made as a result of analysis and discussions with the auditors. Management is confident that is aware of all material entries that needed to be made during the audit process. Management also concurs with and approves all entries made as a result of the audit process. In the future management will continue its efforts to communicate all needed entries as early as possible in the process.

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

None noted

CHAMPAIGN-URBANA MASS TRANSIT DISTRICT

Schedule of Prior Audit Findings for Federal Awards

For the Year Ended June 30, 2010

Finding: 09-01: Significant Adjusting Journal Entries Identified as a Result of Procedures Applied by the District's External Auditors

Significant Deficiency

Status: A similar finding was noted for the fiscal year ended June 30, 2010, which is considered to be a material weakness.

MARTIN
HOOD
FRIESE
& ASSOCIATES, LLC

2507 South Neil St.
Champaign, Illinois 61820
Phone 217.351.2000
Fax 217.351.7726
www.mhfa.net

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, 2010 and have issued our report thereon dated October 22, 2010. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs (Schedule 6) as item 10-01 to be a material weakness in internal control over financial reporting.

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 October 22, 2010.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on it.

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
October 22, 2010

MARTIN HOOD FRIESE & ASSOCIATES, LLC

2507 South Neil St.
Champaign, Illinois 61820
Phone 217.351.2000
Fax 217.351.7726
www.mhfa.net

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 the compliance of the Champaign-Urbana Mass Transit District 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, 2010. 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 Nonprofit 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 the 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 the 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, 2010.

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
October 22, 2010