CHAMPAIGN-URBANA
MASS TRANSIT DISTRICT
Urbana, Illinois

FINANCIAL STATEMENTS
June 30, 2012 and 2011

CliftonLarsonAllen

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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, 2012, 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. The financial statements of the District as of June 30, 2011 were audited by other auditors who report dated November 4, 2011 expressed an unqualified opinion on those financial statements.

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, 2012, and the changes in financial position and cash flows thereof for the year 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 31, 2012, 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 8 and page 31, 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. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the 2012 financial statements that collectively comprise the Champaign-Urbana Mass Transit District's basic financial statements. The accompanying Schedules of Operating Expenses are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The accompanying Downstate Operating Assistance grant schedules are presented for purposes of additional analysis as required by the Illinois Department of Transportation and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is 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* and is not a required part of the basic financial statements. This information is the responsibility of management and was 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 2012 financial statements as a whole.

CliftonLarsonAllen LLP

Champaign, Illinois
October 31, 2012

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 2012

- The District's financial condition remained stable and strong during Fiscal Year 2012.
- State of Illinois Assistance continued to be fully funded at 65% of eligible operating expenses.

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.

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 $64.3 million to $70.2 million. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the District.

	2012	2011	2010
Current and other assets	$ 18.5	$ 20.0	$ 18.9
Capital assets	57.8	53.7	37.4
Total assets	76.3	73.7	56.3
Current and other liabilities	5.6	8.9	5.8
Long-term liabilities	0.5	0.5	0.7
Total liabilities	6.1	9.4	6.5
Net assets			
Invested in capital assets, net of related debt	57.8	51.0	37.4
Unrestricted	12.4	13.3	12.4
Total net assets	$ 70.2	$ 64.3	$ 49.8

Fiscal Year 2012 - The District's net assets increased by 9.2% ($70.2 million compared to $64.3 million for fiscal 2011). Total assets increased by $2.6 million. Current and other assets decreased by $1.5 million and capital assets increased by $4.1 million.

Current liabilities decreased of $3.3 million while long-term liabilities remained constant.

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, decreased by $1 million.

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 $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.

Table 2
Changes in Net Assets
(In Millions)

	2012	2011	2010
Operating revenues			
Revenues from transportation services	$ 6.7	$ 6.0	$ 5.9
Other operating revenues	.9	0.9	0.9
Total operating revenues	7.6	6.9	6.8
Operating expenses			
Operations	19.0	17.3	16.3
Maintenance	4.7	5.1	5.1
General administration and Illinois Terminal	5.3	5.2	5.1
Depreciation	5.4	3.8	2.9
Total operating expenses	34.4	31.4	29.4
Operating loss	(26.8)	(24.5)	(22.6)
Non-operating revenue			
Taxes	6.6	6.6	6.2
Operating grants	22.4	20.2	18.6
Investment income	0.0	0.0	0.1
Total non-operating revenues	29.0	26.8	24.9
Income before other revenue	2.2	2.3	2.3
Other revenues			
Capital grants	3.7	12.2	4.2
Increase in net assets	5.9	14.5	6.5
Net assets, beginning of year	64.3	49.8	43.3
Net assets, end of year	$ 70.2	$ 64.3	$ 49.8

Fiscal Year 2012 - The District's operating revenue increased by 10.1% ($.7 million) while operating expenses minus depreciation increased by 5.1% ($1.4 million).

Factors that led to the increases included:

- An increase of $.7 million in Revenue for Transportation Services was matched by a $.1 million increase in Other Operating Expenses.

- A 9.8% increase in Operations expenses ($1.7 million). Increased labor and fringe benefit expenses ($1.4 million) constituted the bulk of the increase. Fuel and Lubricants increased by $.3 million.

- Maintenance expenses decreased by $.4 million. Decreased Revenue Vehicle Repairs (decreased $.3 million), as a result of 11 new buses, offset increases in other areas.

- General Administration expenses remained flat.

Fiscal Year 2011 - 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.

Budgetary Highlights

Fiscal Year 2012 - The Board of Trustees approved the District's budget for fiscal year 2012 on June 29, 2011 with various capital budget amendments through-out the year. The budget included operating expenses of $34.6 million excluding depreciation. This included $5.8 million of debt service.

- Operating revenue including investment income was $7.5 million or the same as the Fiscal Year 2012 budget.
- Operating expenses, less depreciation, was $29.1 million with an additional total of $5.3 million of eligible debt service. Total operating expenses were $.6 million under budget.

Fiscal Year 2011 - The Board of Trustees approved the District's budget for fiscal year 2011 on June 24, 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.

Capital Asset Administration

At the end of fiscal year 2012, the District had $57.8 million invested in a broad range of capital assets (see Table 3 below). This is an increase of $4.1 million over fiscal year 2011.

Fiscal year 2012 Major Additions Include		
Revenue vehicles	$	7.3
Construction in progress – various projects		6.1
Building improvements		2.2
Radio equipment		.01
Fareboxes		.05
Other equipment		.05
Service vehicles		0.1
Total	$	16.8

The District's fiscal year 2012 capital budget calls for $1.72 million in local dollars as well as $22.6 million of State of Illinois debt service operating funds. Some of the more significant Fiscal Year 2012 capital projects from these sources include:

Bus shelters	$	0.50
Big broadband		0.50
Architectural and engineering		0.20
CAD/AVL		0.30
Facility improvements		0.20
Lease buyouts		0.02
Total	$	1.72

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

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
Total	$ 20,088,182

Long-term Debt Activity

Fiscal Year 2012 - The District's long-term debt (early retirement plan liability) did not change significantly during the year.

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 2011 - The District's long-term debt increased by $.13 million for a total of $.76 million. This increase 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

Economic Factors and Next Year's Budget

- The State of Illinois budget contained a total of $25 million for operating assistance to the District for the fiscal year 2013 including $6.9 million of debt service.

- The District's budget for fiscal year 2013 includes projected operating expenses of $38.7 million, excluding depreciation. A total of $6.9 million is included in the budget as debt service funded by State of Illinois Operating Assistance with $5.8 million of the total debt service for the purchase of new buses.

CHAMPAIGN URBANA MASS TRANSIT DISTRICT
BALANCE SHEETS
June 30, 2012 and 2011

ASSETS

	2012	2011
CURRENT ASSETS		
Cash and cash equivalents	$ 4,534,727	$ 10,593,962
Investments	101,183	100,802
IDOT reimbursement reserve:		
Cash and cash equivalents	-	735,180
Receivables	3,313,724	5,773,483
Inventories	879,139	673,224
Prepaid expenses	773,379	127,476
Total current assets	9,602,152	18,004,127
PROPERTY AND EQUIPMENT		
Land and construction in progress, not being depreciated	2,305,520	3,463,930
Other property and equipment, net of depreciation	55,580,046	50,249,254
Total property and equipment	57,885,566	53,713,184
OTHER ASSETS		
Capital reserves:		
Cash and cash equivalents	8,783,845	1,493,711
Investments held under incentive plan	45,554	68,670
Capital assistance grant receivable	-	379,475
Total other assets	8,829,399	1,941,856
TOTAL ASSETS	$ 76,317,117	$ 73,659,167

LIABILITIES AND NET ASSETS

		2012		2011
CURRENT LIABILITIES				
Accounts payable	$	366,403	$	1,360,306
Operating assistance grant payable, net		572,221		615,144
Accrued expenses		3,532,478		3,246,805
Unredeemed yearly passes and tokens		110,285		163,228
Line of credit		-		2,678,808
Obligations under incentive and early retirement plans, current portion		175,554		249,958
Workers' compensation liability		181,330		-
Other current liabilities		663,272		566,666
Total current liabilities		5,601,543		8,880,915
LONG-TERM LIABILITIES				
Obligation under early retirement plan, net of current		510,000		507,214
Total liabilities		6,111,543		9,388,129
NET ASSETS				
Invested in capital assets, net of related debt		57,885,566		51,034,376
Unrestricted		12,320,008		13,236,662
Total net assets		70,205,574		64,271,038
TOTAL LIABILITIES AND NET ASSETS	$	76,317,117	$	73,659,167

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

CHAMPAIGN-URBANA MASS TRANSIT DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Years Ended June 30, 2012 and 2011

	2012	2011
OPERATING REVENUES		
Yearly passes	$ 5,147,363	$ 4,522,275
Full adult fares	690,490	639,581
Rental of equipment and buildings	720,228	674,298
Student fares and school bus service	476,589	450,657
ADA services	260,073	267,601
Advertising	180,432	164,811
Half-Fare cab	90,527	82,321
Miscellaneous	106,477	105,941
Total operating revenues	7,672,179	6,907,485
OPERATING EXPENSES		
Operations	19,057,488	17,318,601
Maintenance	4,753,254	5,102,384
General administration	4,137,306	4,106,595
Illinois Terminal	1,139,263	1,090,463
Depreciation	5,354,948	3,794,601
Total operating expenses	34,442,259	31,412,644
Operating loss	(26,770,080)	(24,505,159)
NON-OPERATING REVENUES		
Property taxes	6,432,971	6,368,605
State replacement taxes	204,366	222,154
State of Illinois operating assistance grants	22,387,128	20,099,565
Federal operating assistance grants	-	42,153
Investment income	8,363	25,189
Total non-operating revenues	29,032,828	26,757,666
Income before other revenues	2,262,748	2,252,507
OTHER REVENUES		
Capital grants	3,671,788	12,175,813
CHANGE IN NET ASSETS	5,934,536	14,428,320
NET ASSETS, BEGINNING OF YEAR	64,271,038	49,842,718
NET ASSETS, END OF YEAR	$70,205,574	$64,271,038

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

CHAMPAIGN-URBANA MASS TRANSIT DISTRICT
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2012 and 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 10,511,413	$ 6,975,076
Payments to vendors	(17,757,432)	(12,151,307)
Payments to employees	(12,779,475)	(14,086,425)
Net cash used in operating activities	(20,025,494)	(19,262,656)
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES		
State operating assistance grant proceeds received	22,387,128	23,145,799
Federal operating assistance grant proceeds received	-	43,251
Tax proceeds received	6,637,337	6,502,855
Net cash provided by non-capital and related financing activities	29,024,465	29,691,905
CASH FLOWS FROM CAPTAL AND RELATED FINANCING ACTIVITIES		
Federal capital grant proceeds received	3,671,788	11,966,524
Purchases of property and equipment	(9,527,330)	(20,010,926)
Advances of principal on lines of credit	5,744,438	3,153,682
Repayments of principal on lines of credit	(8,423,246)	(474,874)
Net cash used in capital and related financing activities	(8,534,350)	(5,365,594)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	276,344	8,290,000
Purchase of investments	(253,609)	(3,004,364)
Interest received	8,363	44,012
Net cash provided by investing activities	31,098	5,329,648
INCREASE IN CASH AND CASH EQUIVALENTS	495,719	10,393,303
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	12,822,853	2,429,550
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 13,318,572	$ 12,822,853

		2012		2011
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES				
Operating loss	$	(26,770,080)	$	(24,505,159)
Adjustments to reconcile operating loss to net cash used in operating activities:				
Depreciation		5,354,948		3,794,601
(Increase) decrease in assets:				
Receivables		2,839,234		45,648
Inventories		(205,915)		17,513
Prepaid expenses		(645,903)		422,135
Increase (decrease) in liabilities:				
Accounts payable and accrued expenses		(569,823)		978,824
Unredeemed yearly passes and tokens		(52,943)		21,943
Obligations to employees under early retirement and incentive plans		(71,618)		(128,790)
Other current liabilities		96,606		90,629
Net adjustments		6,744,586		5,242,503
NET CASH USED IN OPERATING ACTIVITIES	$	(20,025,494)	$	(19,262,656)

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

NOTE 1 - NATURE OF OPERATIONS AND THE REPORTING ENTITY

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Government Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments. GAAP includes all relevant GASB pronouncements plus other sources of accounting and financial reporting guidance noted in GASB Statement 55, *The Hierarchy of GAAP for State and Local Governments*. 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.

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The District levies property taxes each year, on all taxable real property located within the District's boundaries, on or before the last Tuesday in December. The 2011 tax levy was passed by the Board of Trustees on December 7, 2011. 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, 2012 and 2011 was from the 2011 and 2010 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 $657,048 and $562,491 for the years ended June 30, 2012 and 2011, 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.

Operating revenues include all revenues from the provision of a service by the District. These services include the provision of public transportation, the rental of facilities and land, and the leasing of advertising signage on revenue vehicles. All other revenues are considered non-operating or other revenues.

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

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

Property and equipment are recorded at cost. Major additions and those expenditures that substantially increase the useful life of an asset are capitalized. The District's capitalization threshold for property and equipment is $5,000 per unit. Maintenance, repairs, and minor additions and expenditures are expensed when incurred. The District provides for depreciation using the straight-line method over the estimated useful lives of the assets.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The proceeds from the sale of yearly passes are deferred when received, and the revenue is recorded evenly throughout the period for which the passes apply.

Assets that are not available to finance general obligations of the District are reported as restricted on the balance sheets. The District's policy is to apply restricted resources first when an expense is incurred for a purpose for which restricted and unrestricted net assets are available.

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

NOTE 3 - CASH AND CASH EQUIVALENTS AND INVESTMENTS

Custodial Credit Risk – Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's investment policy addresses custodial credit risk by requiring the diversification of the deposits so that losses at any one institution will be minimized. At June 30, 2012, $147,751 of the District's bank balance of $4,390,599 was exposed to custodial credit risk. This balance was fully collateralized at June 30, 2012.

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.

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

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

At June 30, 2012, the District held $13,389,599 in the Illinois Funds Money Market and Prime funds, which reconciled to a book balance of $7,489,600. 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, 2012 and 2011, the District had the following investments and maturities:

		June 30, 2012 Investment Maturities in Years	
	Fair Value	Less than 1 Year	1 to 5 Years
Certificates of deposit	$ 146,737	$ 146,737	$ -

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

Custodial Credit Risk – Investments

At June 30, 2012, the District had no custodial credit risk.

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

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, 2012, 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, 2012, 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, 2012, the District had no investments or cash equivalents greater than 5 percent of total investments and cash equivalents with any issuer.

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

	2012	2011
Property taxes	$ 3,119,238	$ 3,122,284
State operating grant	-	1,987,976
Federal capital grant	-	410,065
Employees	8,522	104,047
University of Illinois	39,313	74,320
Trade	108,942	46,713
Interest	434	734
State replacement tax	37,275	27,344
Total accounts receivable	$ 3,313,724	$ 5,773,483

NOTE 4 - ACCOUNTS RECEIVABLE (CONTINUED)

Operating Assistance Grants

During the years ended June 30, 2012 and 2011, the Illinois Department of Transportation (IDOT) reimbursed the District for up to sixty-five percent, of the District's eligible operating expenses. The amount of reimbursements is limited to the maximum amount specified in the grant agreements. The District is required to return to IDOT any unspent grant amounts. The final estimated grant amount for each fiscal year is subject to review and approval of the eligible expenses by IDOT. As of June 30, 2012, the old outstanding receivables and payables from prior years were deemed uncollectible/unpayable due to their age and were written down to $0.

As of June 30, 2012 and 2011, the estimated amounts due to and from IDOT, respectively, are as follows:

	2012	2011
Fiscal year 2012 grant agreement	$ (572,221)	$ -
Fiscal year 2011 grant agreement	-	1,987,976
Fiscal year 2010 grant agreement	-	60,071
Fiscal year 2005 grant agreement	-	59,965
Fiscal year 2004 grant agreement	-	(291,148)
Fiscal year 2003 grant agreement	-	(228,471)
Fiscal year 2002 grant agreement	-	(204,374)
Fiscal year 2001 grant agreement	-	(11,187)
Net amount due from IDOT	$ (572,221)	$ 1,372,832

The $572,221 due to IDOT under the fiscal year 2012 grant agreement is shown as operating assistance grant payable at June 30, 2012.

The $1,987,976 due to the District from IDOT under the fiscal year 2011 grant agreement, was included in receivables as of June 30, 2011. The remaining years balances (2001 to 2010) of $615,144, a net payable as of June 30, 2011, was shown as operating assistance grant payable.

The District had set up a reserve of cash, cash equivalents, and investments totaling $735,180 at June 30, 2011, related to the fiscal year 2001 through 2004 payable balances noted above. Since those balances were reduced to $-0- in fiscal year 2012, that reserve was reduced to $0.

NOTE 5 - INVENTORIES

Inventories consist of the following:

	2012	2011
Materials and supplies	$ 792,226	$ 602,605
Fuel and lubricant	86,913	70,619
Total	$ 879,139	$ 673,224

NOTE 6 - PROPERTY AND EQUIPMENT, NET

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

	June 30, 2011	Additions	Disposals	June 30, 2012
Assets not being depreciated:				
Land	$ 1,475,159	$ -	$ -	$ 1,475,159
Construction in progress	1,988,771	6,156,046	7,314,456	830,361
Assets being depreciated:				
Land improvements	223,552	-	-	223,552
Office, garage, and building facilities	33,283,726	2,250,349	88,149	35,445,926
Revenue vehicles	40,426,115	7,399,951	-	47,826,066
Service vehicle	304,714	142,533	1,158	446,089
Passenger shelters	1,302,919	78,438	96	1,381,261
Other equipment	4,242,178	814,473	38,553	5,018,098
Total property and equipment	83,247,134	16,841,790	7,442,412	92,646,512
Less accumulated depreciation	(29,533,950)	(5,354,948)	127,952	(34,760,946)
Property and equipment, net	$ 53,713,184	$11,486,842	$ 7,314,460	$57,885,566

NOTE 6 - PROPERTY AND EQUIPMENT, NET (CONTINUED)

	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)	(4,585,053)	(29,533,950)
Property and equipment, net	$ 37,419,602	$24,421,316	$ 8,127,734	$53,713,184

NOTE 7 - ACCRUED COMPENSATED ABSENCES LIABILITY

The total liability accrued by the District for unpaid compensated absences, included in accrued expenses on the balance sheet, was $2,934,552 and $2,712,214 at June 30, 2012 and 2011, 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 personal RHSP account, and is recorded as a benefit expense to the District. 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 remaining unused vacation at separation from the District.

NOTE 7 - ACCRUED COMPENSATED ABSENCES LIABILITY (CONTINUED)

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 personal RHSP account and recorded as benefit expense to the District. Salaried employees who have five years or more of continuous service for the District are eligible to be paid for unused sick leave at separation from the District. The percentage paid at separation ranges from 10 percent after five years of service up to 50 percent after twenty years of service.

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

NOTE 8 - LINES OF CREDIT

As of June 30, 2012, 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, 2012 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, 2012. This line of credit is secured by substantially all assets of the District. As of June 30, 2012, there was an outstanding balance of $-0-. The second line of credit matures on August 5, 2012 and bears interest at 4.0 percent. As of June 30, 2012, there was an outstanding balance of $-0-. The line of credit is secured by a security interest in the District's deposit accounts.

As of June 30, 2011, the District had two lines of credit, each of which has a borrowing limit of $3,000,000. The first line of credit matured 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 was 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 matured 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.

NOTE 9 - RESTRICTED NET ASSETS

At June 30, 2012 and 2011, the District had no restricted net assets.

NOTE 10 - UNRESTRICTED NET ASSETS

Unrestricted net assets consist of the following:

	2012	2011
Board designated for capital reserves	$ 8,783,845	$ 1,493,711
Undesignated	3,536,163	11,742,951
Total unrestricted net assets	$12,320,008	$13,236,662

NOTE 11 - LEASE REVENUE

The District is the lessor of office and retail space under operating leases expiring in various years through 2025. All of these leases are within non-transportation related sections of facilities that are used for both transportation and non-transportation purposes. The cost and carrying value of these facilities (including the transportation and non-transportation sections) was $34,921,085 and $34,283,579, respectively, at June 30, 2012.

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

Fiscal Year Ending June 30	
2013	$ 659,682
2014	564,508
2015	498,697
2016	503,874
2017	262,605
Thereafter	630,080
Total	$ 3,119,446

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

NOTE 12 - LEASE COMMITMENTS

The District leases furniture, equipment, and vehicles under various non-cancelable operating leases, expiring at various times between December 2012 and March 2014. Future minimum lease payments under these operating leases are as follows:

Fiscal Year Ending June 30	
2013	$ 57,374
2014	28,704
Total	$ 86,078

Total rental expense for operating leases for the years ended June 30, 2012 and 2011 was $126,067 and $182,529, respectively.

NOTE 13 - OBLIGATIONS UNDER INCENTIVE AND EARLY RETIREMENT PLANS

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 if the Managing Director is employed at that date. It also calls for annual distributions through 2014. The District's value in the incentive plan account totaled $45,554 and $68,670 as of June 30, 2012 and 2011, respectively. The liability recorded for this incentive plan was $45,554 and $77,172 as of June 30, 2012 and 2011, respectively.

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, 2012 and 2011, the District has recorded an expense of $202,109 and $40,400, 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 $640,000 and $680,000, respectively, related to this plan at June 30, 2012 and 2011 and is included on the balance sheet in obligations under incentive and early retirement plans.

NOTE 13 - OBLIGATIONS UNDER INCENTIVE AND EARLY RETIREMENT PLANS (CONTINUED)

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

Fiscal Year Ending June 30	
2013	$ 126,422
2014	175,474
2015	138,015
2016	197,319
Total value of projected payments	637,230
Plus discounting at 0.12 percent	2,770
Total	$ 640,000

The following is a summary of changes in incentive and early retirement plan obligations for the years ended June 30, 2012 and 2011:

	June 30, 2011	Provision	Payment	June 30, 2012	Due Within One Year
Incentive and early retirement plans	$ 757,172	$ 221,278	$ 292,896	$ 685,554	$ 175,554

	June 30, 2010	Provision	Payment	June 30, 2011	Due Within One Year
Incentive and early retirement plans	$ 885,962	$ 148,394	$ 277,184	$ 757,172	$ 249,958

NOTE 14 - 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.

NOTE 14 - PENSION FUND COMMITMENTS (CONTINUED)

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 2011 and 2010 used by the District was 12.27 and 11.40 percent, respectively, 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 – The required contribution for calendar year 2011 was $1,775,050. The required contribution for calendar year 2010 was $1,593,142 (its actual contribution was $1,543,061).

Calendar Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (NPO)
12/31/11	$ 1,775,050	100%	$ -
12/31/10	1,593,142	97%	50,081
12/31/09	1,304,885	100%	-
12/31/08	1,202,926	100%	-

The net pension obligation for the District as of June 30, 2012 and 2011 is as follows:

	2012	2011
Annual required contribution	$ 1,775,050	$ 1,645,966
Interest on the NPO	-	-
Adjustments to the ARC	-	-
Annual pension cost	1,775,050	1,645,966
Actual contribution	1,825,131	1,595,885
Increase (decrease) to the NPO	(50,081)	50,081
Beginning of year NPO	50,081	-
End of year NPO	$ -	$ 50,081

NOTE 14 - PENSION FUND COMMITMENTS (CONTINUED)

The required contribution for calendar 2011 and 2010 was determined as part of the December 31, 2009 and 2008 actuarial valuations using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2009, 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, 2009 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, 2011, the most recent actuarial valuation date, the regular plan was 67.66 percent funded. The actuarial accrued liability for benefits was $41,425,328 and the actuarial value of assets was $28,028,241, resulting in an underfunded actuarial liability (UAAL) of $13,397,087. The covered payroll (annual payroll of active employees covered by the plan) was $14,466,589 and the ratio of the UAAL to the covered payroll was 93 percent.

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

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

NOTE 15 - SELF INSURANCE

The District is a member of the Illinois Public Transit Risk Management Association (IPTRMA), an insurance risk pool. Through IPTRMA, the District has pooled its risk for public liability/property damage and vehicle liability claims with other local transit districts in Illinois. The District's capital contribution to the IPTRMA loss reserve fund is considered to be a prepayment of future claims in excess of insured amounts and is amortized over the period for which the capital contribution relates. At June 30, 2012 and 2011, the District had prepaid balances of $695,123 and $37,192, respectively. Losses and claims recognized for the years ended June 30, 2012 and 2011 totaled $445,147 and $340,501, 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.

NOTE 15 - SELF INSURANCE (CONTINUED)

The following table is a summary of the coverage in effect for the members of IPTRMA for the period July 1, 2012 through July 1, 2013:

Coverage Type	Self-Insured Retention	Coverage Limits	Insurance Company
Package:			
General liability	$ 25,000	$5,000,000/occurrence and annual	Illinois Union Insurance Company
Auto liability	$ 500,000	$5,000,000/accident	Illinois Union Insurance Company
Property	$ -	$74,567,265/occurrence	Federal Insurance & Chubb
Excess liability	$ -	$10,000,000/occurrence and annual	Catlin Insurance Company
Public officials/employment practices	$ -	$5,000,000/occurrence and annual	Illinois Union Insurance Company

The District is self-insured for worker's compensation and employer's liability claims. Losses and claims are accrued as incurred. At June 30, 2012, the District had a claims liability balance of $181,330 for expected additional claims payable. Losses and claims recognized for the years ended June 30, 2012 and 2011 totaled $504,318 and $97,920, respectively. The District purchases insurance coverage for worker's compensation to cover claims in excess of $400,000 with a statutory aggregate limit for worker's compensation and a $2,000,000 aggregate limit for employer's liability.

NOTE 16 - MAJOR CUSTOMER

Yearly passes revenue for the years ended June 30, 2012 and 2011 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, 2012 and 2011 was $4,817,756 and $4,310,418, respectively. At June 30, 2012 and 2011, amounts due from the University of Illinois included in accounts receivable were $39,313 and $74,320, respectively.

NOTE 17 - COMMITMENTS

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

Purpose	Contract Amount	Incurred Through June 30, 2012	Remaining Commitment
Vans	$ 199,021	$ -	$ 199,021

The District expects 65% of the cost of the vans to be state funded.

NOTE 18 - CONTINGENCIES

As of June 30, 2012, 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 $25,000 and $775,000, and is expected to be covered by the IPTRMA loss reserve fund and insurance coverage. As of June 30, 2012 and 2011, the District has not recorded a liability for these claims.

As of June 30, 2012, the District is also involved in several worker compensation claims with current and former employees. As of June 30, 2012, the District has recorded a liability of $181,330 for anticipated additional claims expense as stated in Note 15. An estimate of any additional potential loss, cannot be made.

NOTE 19 - FUTURE CHANGE IN ACCOUNTING PRINCIPLES

The Governmental Accounting Standards Board (GASB) has issued new accounting standards that may restate portions of these financial statements in future periods. Listed below are the statements and short summary of the standard's objective.

New accounting standards effective for the June 30, 2013 or later financial statements include:

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, issued November 2010. The objective of this statement is to improve financial reporting by addressing issues related to service concession arrangements, which are a type of public-private or public-public partnership.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncement*, issued December 2010. The objective of this statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the FASB and AICPA pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements.

NOTE 19 - FUTURE CHANGE IN ACCOUNTING PRINCIPLES (CONTINUED)

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, issued June 2011. The objective of this statement is to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources.

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statement No. 14 and No. 34*, issued November 2010. The objective of this statement is to improve financial reporting for a governmental financial reporting entity. This statement modifies certain requirements for inclusion of component units in the financial reporting entity.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, issued March 2012. The objective of this statement is to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

GASB Statement No. 66, *Technical Corrections - 2012 - an Amendment of GASB Statements No. 10 and No. 62*, issued March 2012. The objective of this statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.

GASB issued Statement No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No*. 25, issued June 2012. This statement established accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans that are covered by the scope of this Statement, as well as for non employer governments that have a legal obligation to contribute to those plans.

GASB issued Statement No. 68, *Financial Reporting for Pension Plans - an amendment of GASB Statement No.* 27, issued June 2012. This statement replaces the requirements of statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria.

CHAMPAIGN-URBANA MASS TRANSIT DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
(UNAUDITED)

June 30, 2012

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)
12/31/11	$28,028,241	$ 41,425,328	$ 13,397,087	67.66%	$ 14,466,589	92.61%
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, 2011 is $26,770,877. On a market basis, the funded ratio would be 64.62 percent.

CHAMPAIGN-URBANA MASS TRANSIT DISTRICT
SCHEDULES OF OPERATING EXPENSES
Years Ended June 30, 2012 and 2011

	2012	2011
Operations		
Wages:		
Operators	$ 7,487,542	$ 7,116,229
Street supervisors and dispatchers	792,234	728,998
Other supervisors	375,491	360,668
Clerical	180,964	145,661
Labor credit	(1,400)	(2,384)
Total wages	8,834,831	8,349,172
Fringe Benefits:		
Paid absences	2,119,803	1,902,452
Health and dental insurance	1,606,984	1,454,180
Illinois Municipal Retirement Fund	1,336,601	1,224,844
Social Security tax	832,124	850,344
Workers' compensation insurance and claims	422,240	99,332
Uniform allowances	44,046	32,174
Unemployment insurance	46,763	44,881
Early retirement plan	202,109	40,400
Other fringe benefits	55,733	50,129
Total fringe benefits	6,666,403	5,698,736
Services:		
ADA	486,968	478,368
Taxi	180,562	164,642
Printing	85,021	87,177
Other services	27,808	43,067
Total services	780,359	773,254
Materials and Supplies Consumed:		
Fuel and lubrications	2,539,042	2,289,028
Tires and tubes	119,959	77,065
Small equipment	20,425	19,352
Other materials and supplies consumed	39,032	18,193
Total materials and supplies consumed	2,718,458	2,403,638
Miscellaneous:		
Leased equipment	40,757	78,783
Other	16,680	15,018
Total miscellaneous	57,437	93,801
TOTAL OPERATIONS	$ 19,057,488	$ 17,318,601

CHAMPAIGN-URBANA MASS TRANSIT DISTRICT
SCHEDULES OF OPERATING EXPENSES
Years Ended June 30, 2012 and 2011

	2012	2011
Maintenance		
Wages:		
Mechanics	$ 949,795	$ 1,033,449
Cleaners	559,196	554,588
Supervisors and clerical	362,264	348,847
Total wages	1,871,255	1,936,884
Fringe Benefits:		
Health and dental insurance	465,681	395,459
Paid absences	339,276	339,710
Illinois Municipal Retirement Fund	268,745	267,079
Social Security tax	164,085	186,930
Workers' compensation insurance and claims	122,616	32,609
Uniform and tools allowance	24,307	24,539
Unemployment insurance	11,161	12,605
Other fringe benefits	29,205	26,390
Total fringe benefits	1,425,076	1,285,321
Services:		
Contract maintenance	84,985	82,927
Other services	2,824	20,982
Total services	87,809	103,909
Materials and Supplies Consumed:		
Revenue vehicles repairs	903,500	1,305,358
Buildings and grounds repairs	138,982	117,300
Service supplies	51,111	49,535
Fuel and lubricants	126,909	122,091
Service vehicles repairs	16,547	22,341
Shop tools	29,363	23,907
Passenger shelter repairs	25,309	39,328
Garage equipment repairs	31,027	18,636
Other materials and supplies consumed	21,065	53,984
Total materials and supplies consumed	1,343,813	1,752,480
Miscellaneous:		
Leased equipment	19,082	19,283
Other	6,219	4,507
Total miscellaneous	25,301	23,790
TOTAL MAINTENANCE	$ 4,753,254	$ 5,102,384

CHAMPAIGN-URBANA MASS TRANSIT DISTRICT
SCHEDULES OF OPERATING EXPENSES
Years Ended June 30, 2012 and 2011

	2012	2011
General Administration		
Wages:		
Supervisors	$ 1,331,993	$ 1,136,639
Clerical	187,289	172,678
Total wages	1,519,282	1,309,317
Fringe Benefits:		
Health and dental insurance	202,394	178,829
Illinois Municipal Retirement Fund	167,953	150,894
Social Security tax	102,125	129,536
Unemployment insurance	3,719	3,658
Workers' compensation insurance and claims	808	744
Other fringe benefits	(4,530)	57,394
Total fringe benefits	472,469	521,055
Services:		
Professional and technical	425,819	668,763
Contract maintenance	236,119	198,730
Printing	1,440	1,235
Other services	42,826	7,571
Total services	706,204	876,299
Materials and Supplies Consumed:		
Small equipment	17,881	21,908
Buildings and grounds repair	14,180	(355)
Office supplies	42,173	46,804
Total materials and supplies consumed	74,234	68,357
Casualty and Liability Costs:		
Uninsured public liability	311,057	359,258
Public liability and property damage insurance	283,673	306,847
Physical damage insurance	33,595	23,371
Insurance and property damage recoveries	(55,024)	(59,140)
Other insurance	26,714	31,171
Total casualty and liability costs	600,015	661,507

CHAMPAIGN-URBANA MASS TRANSIT DISTRICT
SCHEDULES OF OPERATING EXPENSES
Years Ended June 30, 2012 and 2011

	2012	2011
Miscellaneous:		
Utilities	$ 294,376	$ 327,030
Leased equipment	66,228	84,463
Advertising	134,070	102,687
Property taxes	1,039	673
Dues and subscriptions	44,980	51,080
Travel and meetings	61,307	51,180
Advertising services	-	105
Interest expense	129,760	30,731
Other	33,342	22,111
Total miscellaneous	765,102	670,060
TOTAL ADMINISTRATION	$ 4,137,306	$ 4,106,595
Illinois Terminal		
Wages:		
Supervisors	$ 95,788	$ 93,038
Cleaners	137,734	128,264
Security	129,251	113,610
Clerical	119,716	116,909
Total wages	482,489	451,821
Fringe Benefits:		
Health and dental insurance	109,458	91,524
Illinois Municipal Retirement Fund	60,366	52,669
Social Security tax	36,956	34,667
Uniform and tool allowances	4,004	2,601
Other fringe benefits	1,483	1,425
Total fringe benefits	212,267	182,886
Services:		
Contract maintenance	37,971	24,027
Professional services	7,901	3,188
Other services	3,404	1,965
Total services	49,276	29,180

CHAMPAIGN-URBANA MASS TRANSIT DISTRICT
SCHEDULES OF OPERATING EXPENSES
Years Ended June 30, 2012 and 2011

	2012	2011
Materials and Supplies Consumed:		
Buildings and grounds repairs	$ 112,565	$ 146,791
Services supplies	22,882	18,905
Shop tools	16,858	9,985
Other materials and supplies consumed	6,347	5,001
Total materials and supplies consumed	158,652	180,682
Miscellaneous:		
Utilities	150,872	138,225
Other	85,707	-
Total miscellaneous	236,579	107,669
		245,894
TOTAL ILLINOIS TERMINAL	$ 1,139,263	$ 1,090,463
Depreciation		
Revenue vehicles, fareboxes, and radios	$ 3,808,673	$ 2,546,924
Office and garage facilities	1,029,472	865,461
Office and garage equipment	208,024	153,791
Service vehicles	48,688	36,230
Other equipment	260,091	192,195
TOTAL DEPRECIATION	$ 5,354,948	$ 3,794,601

CHAMPAIGN-URBANA MASS TRANSIT DISTRICT
SCHEDULE OF REVENUE AND EXPENSES
UNDER DOWNSTATE OPERATING ASSISTANCE GRANT OP-12-01-IL
Year Ended June 30, 2012

Operating Revenue and Income:		
401	Passenger Fares for Transit Services	$ 1,178,377
402	Special Transit Fares	5,032,876
403	School Bus Service	453,789
406	Auxiliary Revenue	226,724
407	Non-Transportation Revenue	788,776
Total Operating Revenue and Income		$ 7,680,542
Operating Expenses:		
501	Labor	12,707,857
502	Fringe Benefits	8,776,215
503	Professional Services	956,118
504	Materials and Supplies Consumed	4,295,157
505	Utilities	445,248
506	Casualty and Liability	600,015
507	Taxes	1,039
508	Special Transit Services	667,530
509	Miscellaneous Expense	378,305
511	Short Term Debt Obligation	129,760
512	Leases, Rentals, and Purchase-Lease Payments	130,067
517	Debt Service on Equipment/Facilities	5,286,093
	Total Operating Expenses	34,373,404
Less: Ineligible Expenses		
Expenses Related to the Non-Transportation Areas of Illinois Terminal		(103,837)
Property Tax and Insurance Expense for the Non-Transportation Area of 1101 East University Facility		(1,039)
Other Miscellaneous Expenses of 1101 East University		(72,474)
Professional Services Not Related to Transportation Services		(25,000)
Expenses Reimbursed through Federal Operating Grants		(23,458)
APTA and IPTA Dues		(4,300)
Other Miscellaneous Expenses		(101,175)
	Total Ineligible Expenses	(331,283)
Total Eligible Operating Expenses		$ 34,042,121
Total Eligible Operating Expenses		$ 34,042,121
Total Operating Revenue and Income		7,680,542
Deficit		$ 26,361,579
Sixty-Five Percent of Eligible Expense		$ 22,127,379

CHAMPAIGN-URBANA MASS TRANSIT DISTRICT
SCHEDULE OF REVENUE AND EXPENSES
UNDER DOWNSTATE OPERATING ASSISTANCE GRANT OP-12-01-IL
Year Ended June 30, 2012

CONTINUED

Maximum Contract Amount	$ 22,699,000
Eligible Downstate Operating Assistance (Deficit or Sixty-Five Percent of Eligible Expense or Maximum Contract Amount, Whichever is Less)	$ 22,127,379
Fiscal Year 2012 Downstate Operating Assistance Received (Through June 30, 2012)	22,699,600
Fiscal Year 2012 Downstate Operating Assistance Received (Subsequent to June 30, 2012)	-
Fiscal Year 2012 Downstate Operating Assistance Over Paid	$ (572,221)

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

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

We have audited the financial statements of Champaign-Urbana Mass Transit District (the District) as of and for the year ended June 30, 2012, and have issued our report thereon dated October 31, 2012. 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

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the 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 District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the 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. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting (Findings 2012-1 and 2012-2.) A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less than severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests did not disclose instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the District in a separate letter dated October 31, 2012.

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

This report is intended solely for the information and use of District management, Board of Trustees, others within the entity and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

CliftonLarsonAllen LLP

Champaign, Illinois
October 31, 2012

Independent Auditor's 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

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

Compliance

We have audited the compliance of Champaign-Urbana Mass Transit District (the 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 each of the District's major federal programs for the year ended June 30, 2012. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the 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 the 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 District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as Findings 2012-6, 2012-7 and 2012-8.

Internal Control Over Compliance

Management of the 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 District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the 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 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 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. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as Findings 2012-3, 2012-4, 2012-5, 2012-6, 2012-7 and 2012-8. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less than severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report is intended solely for the information and use of management, Board of Trustees, others within the entity and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

CliftonLarsonAllen LLP

Champaign, Illinois
October 31, 2012

CHAMPAIGN-URBANA MASS TRANSIT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2012

Federal Grantor/ Program Title	CFDA Number		Grant Number	Total Awards Expended
U.S. Department of Transportation -				
Federal Transit Administration Direct:				
Federal Transit Cluster:				
Formula Grants:				
Urbanized Area Formula Program	20.507	*	IL-90-X638-01	$ 2,993,248
ARRA - Urbanized Area Formula Program	20.507	*	IL-96-X012-00	678,540
Total Federal Transit Cluster - Direct				3,671,788
TOTAL				$ 3,671,788

* - Denotes a major program

CHAMPAIGN-URBANA MASS TRANSIT DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2012

NOTE 1 - GENERAL

The accompanying schedule of expenditures of federal awards presents the activity of federal award programs of Champaign-Urbana Mass Transit District (the District).

NOTE 2 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards is presented on the accrual basis of accounting. The information on 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, or used in the preparation of, the basic financial statements.

CHAMPAIGN-URBANA MASS TRANSIT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
• Material weakness(es) identified?	______ yes	X no
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	X yes	______ none reported
Noncompliance material to financial statements noted?	______ yes	X no

Federal Awards

Internal control over major programs:		
• Material weakness(es) identified?	______ yes	X no
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	X yes	______ none reported
Type of auditor's report issued on compliance for major programs:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	X yes	______ no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
20.507	Federal Transit Cluster

Dollar threshold used to distinguish between type A and type B programs: $ 300,000

Auditee qualified as low-risk auditee?	______ yes	X no

CHAMPAIGN-URBANA MASS TRANSIT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012

Section II – Financial Statement Findings

FINDING NO. 2012-1 – FINANCIAL STATEMENT PREPARATION

Criteria or Specific Requirement: The District is responsible for preparation of financial statements in accordance with generally accepted accounting principles.

Condition: The District engages CliftonLarsonAllen LLP to assist in preparing its financial statements and accompanying disclosures. However, as independent auditors, CliftonLarsonAllen LLP cannot be considered part of the District's internal control system.

Context: The Board of Directors and management share the ultimate responsibility for the District's internal control system.

Effect: This situation is very common for entities the size of the District. While it is acceptable to outsource various accounting functions, the responsibility for internal control cannot be outsourced to the external auditors.

Cause: Currently, the District's personnel do not have sufficient governmental financial statement reporting experience and training to prepare the District's financial statements, including any new disclosure requirements.

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

Views of Responsible Officials and Planned Corrective Action: The Champaign-Urbana Mass Transit District has been in existence since August, 1971 and has been through many audits and Triennial Reviews by the Federal Transit Administration. Until this time, management has not been aware of any deficiencies in financial statement reporting. Due to many upper management personnel retiring in the next few years, the District has hired a Chief Financial Officer (as of July 1, 2012) to oversee all functions in the Accounting Department. He will insure that all financial reporting is done correctly.

Section II – Financial Statement Findings (Continued)

FINDING NO. 2012-2 – AUDIT ADJUSTMENTS

Criteria or Specific Requirement: The District is responsible for maintaining its records in accordance generally accepted accounting principles.

Condition: Various account balances were determined to be inaccurate during review of supporting documentation, resulting in material audit adjustments at the end of the year.

Context: The net effect of the audit adjustments was approximately $335,000.

Effect: Deferred revenue, net assets, worker's compensation liability, and various receivables were incorrectly stated.

Cause: Certain balance sheet accounts were not reconciled in a manner that identified the errors.

Recommendation: Management should review their policies for reconciling and reviewing accounts to ensure amounts reported during the year are accurate and reliable. Reconciliations should be performed on a monthly basis, with a documented review.

Views of Responsible Officials and Planned Corrective Action: The District will review its policies for reconciling and reviewing accounts and will strive to do reconciliations on a monthly basis. The District will establish a process to keep audit adjustments to a minimum.

CHAMPAIGN-URBANA MASS TRANSIT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012

Section III – Federal Award Findings and Questioned Costs

FINDING NO. 2012-3 – FINANCIAL STATEMENT PREPARATION

FEDERAL TRANSIT CLUSTER
CFDA #20.507
DEPARTMENT OF TRANSPORTATION
QUESTIONED COSTS - NONE

See Financial Statement Finding 2012-1

Section III - Federal Award Findings and Questioned Costs (Continued)

FINDING NO. 2012-4 - AUDIT ADJUSTMENTS

FEDERAL TRANSIT CLUSTER
CFDA #20.507
DEPARTMENT OF TRANSPORTATION
QUESTIONED COSTS - NONE

See Financial Statement Finding 2012-2

Section III - Federal Award Findings and Questioned Costs (Continued)

FINDING NO. 2012-5 – CASH MANAGEMENT AND REPORTING

FEDERAL TRANSIT CLUSTER
CFDA #20.507
DEPARTMENT OF TRANSPORTATION
QUESTIONED COSTS - NONE

Criteria or Specific Requirement: Proper internal controls require a formal review process.

Condition: During review of the client's controls over cash draw downs and financial reporting, we noted that there is no formal, documented review of the requests for funds or the quarterly financial reports.

Context: This was noted on all draw downs and quarterly reports tested.

Effect: Lack of adequate reviews could allow for errors or irregularities not being detected on a timely basis.

Cause: Lack of implementation of review processes over the cash draw down and financial reporting process.

Recommendation: We recommend a policy be established in which a member of management, other than the preparer, review all draw downs and financial reports. This review process should be completed prior to the draw down request and report submission, and it should be documented. Compliance with the policy should be monitored.

Views of Responsible Officials and Planned Corrective Action: This finding was already addressed during the Triennial Review (July, 2012) by the Federal Transit Administration (FTA). Procedures for authorizing official approval of ECHO Requests were developed and implemented by the Managing Director in July, 2012.

Section III - Federal Award Findings and Questioned Costs (Continued)

FINDING NO. 2012-6 – EQUIPMENT AND PROPERTY MANAGEMENT

FEDERAL TRANSIT CLUSTER
CFDA #20.507
DEPARTMENT OF TRANSPORTATION
QUESTIONED COSTS - NONE

Criteria or Specific Requirement: Equipment and Real Property Management regulations require FTA approval of leasing facilities to others.

Condition: The District is leasing space in its maintenance facility to another transit provider without prior approval of FTA.

Context: Identified in the one new lease tested.

Effect: Noncompliance with federal regulations could result in loss of funding.

Cause: Management was not aware of the approval requirement since the lessee is providing transit services.

Recommendation: We recommend that management review Equipment and Real Property Management requirements and have any current leases approved by FTA and future leases approved in advance.

Views of Responsible Officials and Planned Corrective Action: This finding was already addressed during the Triennial Review (July, 2012) by the Federal Transit Administration (FTA). Procedures for obtaining FTA approval for future incidental use were developed and implemented in July, 2012. In addition, a request for concurrence of current incidental use was requested by the Managing Director in July, 2012.

Section III - Federal Award Findings and Questioned Costs (Continued)

FINDING NO. 2012-7 - NONCOMPLIANCE WITH THE SEPARATION OF ARRA FUNDING

FEDERAL TRANSIT CLUSTER
CFDA #20.507
DEPARTMENT OF TRANSPORTATION
QUESTIONED COSTS - NONE

Criteria or Specific Requirement: Federal regulations require ARRA expenses be recorded in separate accounts on the general ledger.

Condition: During review of the client's general ledger system, it was noted that ARRA funded activities are not being maintained separately from non-ARRA funded activities.

Context: ARRA expenses are not maintained in separate expense accounts.

Effect: Noncompliance with federal regulations could result in loss of funding.

Cause: Management was not aware of the separation requirement with ARRA funding.

Recommendation: We recommend that management record all ARRA activity in separate expense line items within the general ledger system, in compliance with federal requirements.

Views of Responsible Officials and Planned Corrective Action: During the Triennial Review (July, 2012), the District was found to be in compliance with the Federal Transit Administration's reporting requirements for ARRA. At this time, the District does not have any ARRA Grants. However, should there be any in the future, the District will establish a process to insure that ARRA expenses are maintained in separate expense accounts.

Section III - Federal Award Findings and Questioned Costs (Continued)

FINDING NO. 2012-8 - PROCUREMENT

FEDERAL TRANSIT CLUSTER
CFDA #20.507
DEPARTMENT OF TRANSPORTATION
QUESTIONED COSTS - NONE

Criteria or Specific Requirement: Federal regulations require grant recipients to require that, as a condition to bid on a transit vehicle procurement in which FTA funds are involved, each transit vehicle manufacturer certify that is has complied with the requirements of 49 CFR section 26.49. Recipients may, with FTA approval, establish project-specific goals for DBE participation in the procurement of transit vehicles that a manufacturer must meet (49 CFR section 26.49(d)).

Condition: The District has not submitted DBE program or goal information to the FTA for approval for several years.

Context: This requirement is applicable when there are transit vehicle purchases.

Effect: Noncompliance with federal regulations could result in loss of funding.

Cause: Management was not aware of the requirement.

Recommendation: We recommend that management submit a current DBE program to the FTA for approval and resubmit it annually so the current program is always on record with FTA.

Views of Responsible Officials and Planned Corrective Action: After the Triennial Review (July, 2012), the District submitted a DBE Program to the Federal Transit Administration (FTA) on July 19, 2012 by the Assistant Managing Director. Thus far, the Program has not been approved.

CHAMPAIGN-URBANA MASS TRANSIT DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012

There were no findings as of June 30, 2011.