

# **Metropolitan Transit Authority of Black Hawk County**

Financial Statements

June 30, 2008 and 2007



**METROPOLITAN TRANSIT AUTHORITY OF BLACK HAWK COUNTY**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Metropolitan Transit Authority of Black Hawk County  
Waterloo, Iowa

We have audited the accompanying financial statements of the Metropolitan Transit Authority of Black Hawk County as of and for the years ended June 30, 2008 and 2007, as listed in the table of contents. These financial statements are the responsibility of the Authority'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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. 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 Metropolitan Transit Authority of Black Hawk County as of June 30, 2008 and 2007, and the changes in its financial position and its 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 our report dated February 20, 2009, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing 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 read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis on pages 3 through 8 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Waterloo, Iowa  
February 20, 2009

**METROPOLITAN TRANSIT AUTHORITY OF BLACK HAWK COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2008**

The management of the Metropolitan Transit Authority of Black Hawk County (the Authority) offers the users of the Authority's financial statements this narrative overview and analysis of the financial activities for the years ended June 30, 2008 and 2007. This analysis is intended to be read in conjunction with the financial statements which follow this section.

**FINANCIAL HIGHLIGHTS**

As of June 30, 2008 and 2007, total assets of the Authority exceeded total liabilities by \$5,842,138 and \$4,958,219, respectively. The amount of unrestricted net assets as of June 30, 2008, was \$2,016,585 compared to \$1,912,403 in 2007.

The net assets of the Authority increased by \$883,919 during the current fiscal year compared to an increase of \$444,305 last year. The increase in 2008 is primarily a result of an increase in capital contributions. The increase in 2007 was a result of increases in operating revenues, interest income and operating grants, net of increase in operating expenses offset by a decrease in capital contributions.

The Authority's total debt decreased by \$6,424 in 2008 compared to a decrease of \$195,909 in 2007. The decrease in 2008 is due to principal payments made on the Authority's debt. In 2007, the Authority's total debt decreased by \$195,909 because of principal payments made on the Authority's capital leases and debt.

Capital contributions from federal, state and local governments were \$851,676 in 2008 and \$300,308 in 2007. Such contributions were used to make capital lease payments, improvements to the operating facility, and to purchase buses.

For fiscal year 2008 and 2007, total revenues exceeded total expenses before capital contributions resulting in income before capital contributions of \$32,243 and \$143,997, respectively. The income in 2008 versus 2007 decreased due to an increase in operating expenses.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

Management's Discussion and Analysis serves as an introduction to the Authority's basic financial statements. The Authority's basic financial statements comprise four components: statements of net assets, statements of revenues, expenses, and changes in net assets, statements of cash flows, and notes to the financial statements.

The statements of net assets present information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. The statements of net assets can be found on page 9.

**METROPOLITAN TRANSIT AUTHORITY OF BLACK HAWK COUNTY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2008**

The statements of revenues, expenses and changes in net assets present information on revenues, expenses, capital contributions, and how the Authority's net assets changed during the two most recent fiscal years. All changes in net assets are reported as soon as the underlying event giving rise to the changes occurs, regardless of the timing of related cash flows. Thus, revenues, expenses and capital contributions are reported in the statements for some items that will only result in cash flows in future fiscal periods. The increase or decrease in net assets may serve as an indicator of the effect of the Authority's current year operations on its financial position. The statements of revenues, expenses and changes in net assets can be found on page 10 of this report.

The statements of cash flows summarize all of the Authority's cash flows into four categories: cash flows from operating activities, cash flows from noncapital financing activities, cash flows from capital and related financing activities, and cash flows from investing activities. This statement presents cash receipts and disbursements without consideration of the earning event, when an obligation arises, or depreciation of assets. The statements of cash flows can be found on pages 11 and 12 of this report.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the statements of net assets, statements of revenues, expenses and changes in net assets, and statements of cash flows. The notes to the financial statements can be found on pages 13 through 18.

**FINANCIAL ANALYSIS**

Statements of Net Assets - Total assets of the Authority exceeded total liabilities by \$5,842,138 and \$4,958,219 as of June 30, 2008 and 2007, respectively. The largest portion of this excess (65%) in 2008 and (61%) in 2007 was invested in capital assets net of related outstanding debt. The Authority uses these capital assets to provide public transit services to customers in Black Hawk County; consequently, these assets are not available for future spending. Although the Authority's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources such as capital grants, since the capital assets themselves cannot be used to liquidate these liabilities.

**METROPOLITAN TRANSIT AUTHORITY OF BLACK HAWK COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2008**

**Condensed Statements of Net Assets**

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Current assets	\$ 2,243,200	\$ 2,087,484	\$ 1,826,740
Capital assets	<u>3,838,401</u>	<u>3,065,088</u>	<u>3,328,830</u>
<b>Total Assets</b>	<b><u>\$6,081,601</u></b>	<b><u>\$ 5,152,572</u></b>	<b><u>\$ 5,155,570</u></b>
Current liabilities	\$ 233,039	\$ 181,505	\$ 525,893
Long-term liabilities	<u>6,424</u>	<u>12,848</u>	<u>115,763</u>
<b>Total Liabilities</b>	<b><u>239,463</u></b>	<b><u>194,353</u></b>	<b><u>641,656</u></b>
Net assets			
Invested in capital assets, net of related debt	3,825,553	3,045,816	3,113,649
Unrestricted	<u>2,016,585</u>	<u>1,912,403</u>	<u>1,400,265</u>
<b>Total Net Assets</b>	<b><u>5,842,138</u></b>	<b><u>4,958,219</u></b>	<b><u>4,513,914</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$6,081,601</u></b>	<b><u>\$ 5,152,572</u></b>	<b><u>\$ 5,155,570</u></b>

The increase in unrestricted net assets of \$104,182 (5%) in 2008 was primarily due to increases in operating revenues, investment income and nonoperating revenues, which was partially offset by an increase in operating expenses. The increase in unrestricted net assets of \$512,138 (37%) in 2007 was primarily due to an increase in nonoperating revenues which was partially offset by an increase in operating expenses over operating revenues.

Current assets consist of cash, cash equivalents, receivables, prepaid expenses and inventories. These assets increased by \$155,716 (7.5%) in 2008, due primarily to increases in cash and cash equivalents and inventories offset partially by decreases in receivables and prepaid expenses. Current assets increased by \$260,744 (14%) in 2007, due primarily to increases in cash and cash equivalents offset partially by decreases in receivables and inventory.

**METROPOLITAN TRANSIT AUTHORITY OF BLACK HAWK COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2008**

Statements of Revenues, Expenses and Changes in Net Assets - During fiscal year 2008, the activities of the Authority resulted in an increase in net assets of \$883,919 compared to an increase of \$444,305 in 2007. The key elements of the changes in net assets are shown in the following table.

**Condensed Summary of Revenues, Expenses and Changes in Net Assets**

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Revenues			
Operating revenues:			
Passenger fares	\$ 481,787	\$ 450,813	\$ 441,288
Contract services	<u>178,259</u>	<u>172,277</u>	<u>158,331</u>
Total operating revenues	660,046	623,090	599,619
Investment income	37,065	31,441	19,335
Operating grants	3,305,869	3,267,625	2,841,930
Other nonoperating revenues	<u>114,772</u>	<u>99,651</u>	<u>113,483</u>
Total revenues	<u>4,117,752</u>	<u>4,021,807</u>	<u>3,574,367</u>
Expenses			
Operating expenses:			
Operations and maintenance	3,294,587	3,111,105	3,020,661
General and administrative	321,259	310,562	294,987
Depreciation	469,663	449,570	396,608
Interest expense	-	4,222	7,405
Loss on sale of equipment	<u>-</u>	<u>2,351</u>	<u>-</u>
Total expenses	<u>4,085,509</u>	<u>3,877,810</u>	<u>3,719,661</u>
Income (Loss) before capital contributions	32,243	143,997	(145,294)
Capital contributions	<u>851,676</u>	<u>300,308</u>	<u>1,146,388</u>
Increase in net assets	883,919	444,305	1,001,094
Net assets, beginning	<u>4,958,219</u>	<u>4,513,914</u>	<u>3,512,820</u>
Net assets, ending	<u>\$ 5,842,138</u>	<u>\$ 4,958,219</u>	<u>\$ 4,513,914</u>

The increase in operating revenues of \$36,956 (6%) in 2008 and \$23,471 (4%) in 2007 was due to increases in passenger fares, the number of rides, and contract services.

**METROPOLITAN TRANSIT AUTHORITY OF BLACK HAWK COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2008**

Total expenses increased by \$214,272 (5%) in 2008 because of the following increases and decreases: salaries, wages and benefits increased by \$68,583 (3%) because of increases in pay rates and the number of employees; operating supplies increased \$118,810 (11%) primarily because of higher diesel prices; and depreciation expense increased by \$20,093 (4%).

Total expenses increased by \$158,149 (4%) in 2007 because of the following increases and decreases: salaries and wages increased by \$37,306 (2%) because of an increase in the number of employees, diesel costs increased \$13,912 (5%) because of higher diesel prices, bus parts increased \$35,532 (23%) due to an increase in repairs and maintenance, workers compensation insurance increased \$13,236 (23%) due to more employees and past claims history, general liability insurance increased \$10,092 (65%) due to newer equipment being used, subcontract services decreased by \$12,946 (15%) because these services were no longer needed, attorney and legal fees increased by \$6,875 (135%) due to union negotiations and depreciation expense increased by \$52,962 (13%).

Capital contributions increased \$551,368 (184%) in 2008 primarily due to additional federal capital grants provided to purchase four buses. Capital contributions decreased \$846,080 (74%) in 2007 primarily due to a one-time capital grant provided by the State of Iowa during 2006, in the amount of \$812,964, to purchase four buses.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

Capital assets - The Authority's investment in capital assets as of June 30, 2008 and 2007, amounted to \$3,838,401 and \$3,065,088 (net of accumulated depreciation), respectively. The total increase (decrease) in investments in capital assets for 2008 and 2007 was \$773,313 (25%) and (\$263,742) (8%), respectively.

**METROPOLITAN TRANSIT AUTHORITY OF BLACK HAWK COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2008**

The following table summarizes capital assets net of depreciation.

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Buildings and improvements	\$ 1,291,702	\$ 1,226,674	\$ 1,272,118
Equipment	191,302	228,585	233,501
Furniture and fixtures	19,057	17,241	14,152
Rolling stock	<u>2,336,340</u>	<u>1,592,588</u>	<u>1,809,059</u>
 Total	 <u>\$ 3,838,401</u>	 <u>\$ 3,065,088</u>	 <u>\$ 3,328,830</u>

Additional information on the Authority's capital assets can be found in Note 2 on page 15.

Long-Term Debt

The Authority had long-term debt of \$12,848 and \$19,272 as of June 30, 2008 and 2007, respectively. These funds were received under the State of Iowa's Amoco Loan Program and were used to finance the purchase of minivans.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide our patrons and other interested parties with a general overview of the Authority's finances. If you have questions concerning any of the information provided in this report or need additional financial information, contact the business manager at Metropolitan Transit Authority of Black Hawk County, 1515 Black Hawk Street, Waterloo, Iowa 50702.

**METROPOLITAN TRANSIT AUTHORITY OF BLACK HAWK COUNTY**Statements of Net Assets  
As of June 30, 2008 and 2007

	<b>Assets</b>	
	2008	2007
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,839,462	\$ 1,692,892
Receivables	179,140	204,656
Prepaid expenses	37,260	45,578
Inventories	187,338	144,358
	<u>2,243,200</u>	<u>2,087,484</u>
<b>Total Current Assets</b>	<u>2,243,200</u>	<u>2,087,484</u>
<b>Capital Assets, net</b>	<u>3,838,401</u>	<u>3,065,088</u>
<b>Total Assets</b>	<u>\$ 6,081,601</u>	<u>\$ 5,152,572</u>
	<b>Liabilities and Net Assets</b>	
<b>Current Liabilities</b>		
Current maturities of long-term debt	\$ 6,424	\$ 6,424
Accounts payable	72,831	40,213
Accrued expenses	140,290	122,871
Accrued IPERS	13,494	11,997
	<u>233,039</u>	<u>181,505</u>
<b>Total Current Liabilities</b>	<u>233,039</u>	<u>181,505</u>
<b>Long-Term Debt</b>	<u>6,424</u>	<u>12,848</u>
<b>Total Liabilities</b>	<u>239,463</u>	<u>194,353</u>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	3,825,553	3,045,816
Unrestricted	2,016,585	1,912,403
	<u>5,842,138</u>	<u>4,958,219</u>
<b>Total Net Assets</b>	<u>5,842,138</u>	<u>4,958,219</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 6,081,601</u>	<u>\$ 5,152,572</u>

**METROPOLITAN TRANSIT AUTHORITY OF BLACK HAWK COUNTY**  
 Statements of Revenues, Expenses and Changes in Net Assets  
 For the years ended June 30, 2008 and 2007

	2008	2007
Operating Revenues		
Passenger fares	\$ 481,787	\$ 450,813
Contract services	<u>178,259</u>	<u>172,277</u>
Total Operating Revenues	<u>660,046</u>	<u>623,090</u>
Operating Expenses		
Personal services	2,474,167	2,405,584
Operating supplies	725,439	606,629
Utilities	41,718	37,454
Other services and charges	374,522	372,000
Depreciation	<u>469,663</u>	<u>449,570</u>
Total Operating Expenses	<u>4,085,509</u>	<u>3,871,237</u>
Operating Loss	<u>(3,425,463)</u>	<u>(3,248,147)</u>
Nonoperating Revenues (Expenses)		
Interest expense	-	(4,222)
Interest income	37,065	31,441
Miscellaneous income	114,772	97,300
Operating grants	<u>3,305,869</u>	<u>3,267,625</u>
Total Nonoperating Revenues	<u>3,457,706</u>	<u>3,392,144</u>
Net Income Before Contributions	<u>32,243</u>	<u>143,997</u>
Capital Contributions		
Federal, state, local	1,325,898	300,308
Transfers out	<u>(474,222)</u>	<u>-</u>
Total Capital Contributions	<u>851,676</u>	<u>300,308</u>
Change in Net Assets	883,919	444,305
Net Assets, Beginning of Year	<u>4,958,219</u>	<u>4,513,914</u>
Net Assets, End of Year	<u>\$ 5,842,138</u>	<u>\$ 4,958,219</u>

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

**METROPOLITAN TRANSIT AUTHORITY OF BLACK HAWK COUNTY**

Statements of Cash Flows

For the years ended June 30, 2008 and 2007

	2008	2007
Cash Flows from Operating Activities		
Receipts from customers	\$ 691,696	\$ 581,008
Payments to suppliers	(1,831,768)	(1,985,620)
Payments to employees	(1,767,231)	(1,668,019)
	<u>(2,907,303)</u>	<u>(3,072,631)</u>
Net Cash Used In Operating Activities		
Cash Flows from Noncapital Financing Activities		
Operating grants and subsidies	<u>3,414,507</u>	<u>3,568,980</u>
Cash Flows from Capital and Related Financing Activities		
Purchases of property and equipment	(1,243,452)	(190,800)
Principal payments under capital leases and debt	(6,424)	(195,909)
Interest paid on capital leases and debt	-	(10,753)
Proceeds from sale of equipment	501	2,621
Capital grants	<u>851,676</u>	<u>300,308</u>
Net Cash Used in Capital and Related Financing Activities	<u>(397,699)</u>	<u>(94,533)</u>
Cash Flows from Investing Activities		
Interest	<u>37,065</u>	<u>31,441</u>
Net Increase in Cash and Cash Equivalents	146,570	433,257
Cash and Cash Equivalents at Beginning of Year	<u>1,692,892</u>	<u>1,259,635</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,839,462</u>	<u>\$ 1,692,892</u>
Reconciliation of Operating Loss to Net Cash Used In Operating Activities:		
Operating Loss	\$ (3,425,463)	\$ (3,248,147)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities		
Depreciation	469,663	449,570
(Gain) loss on sale of equipment	(25)	2,351
Changes in:		
Receivables	31,650	(42,081)
Other assets	8,318	(2,085)
Inventories	(42,980)	12,624
Accounts payable and accrued liabilities	<u>51,534</u>	<u>(244,863)</u>
Net Cash Used in Operating Activities	<u>\$ (2,907,303)</u>	<u>\$ (3,072,631)</u>

**METROPOLITAN TRANSIT AUTHORITY OF BLACK HAWK COUNTY**

Statements of Cash Flows  
For the years ended June 30, 2008 and 2007

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	2008	2007
Cash paid during the year for interest	<u>\$ -</u>	<u>\$ 10,753</u>

## METROPOLITAN TRANSIT AUTHORITY OF BLACK HAWK COUNTY

### Notes to the Financial Statements

#### **NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES:**

##### BUSINESS ACTIVITY

The Metropolitan Transit Authority of Black Hawk County (the Authority) was established under Chapter 28E of the Code of Iowa for the purpose of providing public transportation service to citizens of the cities of Waterloo and Cedar Falls. The Authority is governed by a board of thirteen trustees, nine of which are appointed by the City of Waterloo and four by the City of Cedar Falls. A significant portion of the Authority's operations are subsidized by the cities of Waterloo and Cedar Falls, the state of Iowa and the federal government.

##### BASIS OF ACCOUNTING

The activities of the Authority are similar to those of proprietary funds and therefore are reported as an enterprise fund in accordance with governmental accounting and financial reporting principles issued by the Governmental Accounting Standards Board (GASB). Accordingly, transactions are accounted for using the accrual basis of accounting. Under Alternative 1 of GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Authority has elected to apply all standards issued on or before November 30, 1989, by the Financial Accounting Standards Board (FASB), in addition to all GASB standards.

The Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues result from providing services in connection with the Authority's principal ongoing operations. All other revenues are non-operating. Operating expenses can be tied to the services being provided. Other expenses are non-operating.

##### ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reported period. Actual results could differ from the estimates.

##### CASH EQUIVALENTS

The Authority considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

##### INVENTORIES

Inventories are stated at the lower of average cost or market and consist primarily of repair parts and fuel.

**METROPOLITAN TRANSIT AUTHORITY OF BLACK HAWK COUNTY**  
Notes to the Financial Statements

**NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd.):**

CAPITAL ASSETS

Capital assets are assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year. Depreciation is computed under the straight-line method over the economic useful lives of the assets. Estimated lives of capital assets are as follows:

Buildings and improvements	15 to 33 years
Equipment	5 to 10 years
Furniture and fixtures	5 to 10 years
Rolling stock	4 to 10 years

DEPOSITS

All deposits are in a single financial institution and are carried at cost. The Authority does not have a deposit policy for custodial credit risk.

	2008	2007
Insured (FDIC)	\$ 39,462	\$ 4,400
Collateralized by securities held by the pledging financial institution	<u>1,800,000</u>	<u>1,688,492</u>
Total Deposits	<u>\$ 1,839,462</u>	<u>\$1,692,892</u>

CAPITAL CONTRIBUTIONS

Capital grants received for the acquisition and construction of capital assets are recorded as capital contributions.

COMPENSATED ABSENCES

Accumulated unpaid vacation and sick pay are accrued when incurred. As of June 30, 2008 and 2007, the Authority had accrued \$65,328 and \$58,538, respectively, for unpaid vacation and sick pay.

BOARD DESIGNATED NET ASSETS

\$1,100,000 and \$450,000 of the Authority's unrestricted net assets have been designated for cash flow reserves and capital replacement, respectively, by the Authority's board of trustees. Designated funds remain under control of the board of trustees, which may at its discretion later use the funds for other purposes.

**METROPOLITAN TRANSIT AUTHORITY OF BLACK HAWK COUNTY**  
Notes to the Financial Statements

**NOTE 2 - CAPITAL ASSETS:**

The following summarizes the Authority's capital assets and changes for the years ended June 30, 2008 and 2007.

	Beginning June 30, 2007	Additions	Dispositions	Ending June 30, 2008
Cost:				
Buildings and improvements	\$ 2,651,581	\$ 159,331	\$ -	\$ 2,810,912
Equipment	641,968	19,332	-	661,300
Furniture and fixtures	60,137	7,327	-	67,464
Rolling stock	<u>4,719,946</u>	<u>1,057,462</u>	<u>4,901</u>	<u>5,772,507</u>
	<u>8,073,632</u>	<u>1,243,452</u>	<u>4,901</u>	<u>9,312,183</u>
Accumulated depreciation:				
Buildings and improvements	1,424,907	94,303	-	1,519,210
Equipment	413,383	-	-	469,998
Furniture and fixtures	42,896	5,511	-	48,407
Rolling stock	<u>3,127,358</u>	<u>313,234</u>	<u>4,425</u>	<u>3,436,167</u>
	<u>5,008,544</u>	<u>-</u>	<u>4,425</u>	<u>5,473,782</u>
Total Capital Assets, net	<u>\$ 3,065,088</u>	<u>\$ 773,789</u>	<u>\$ 476</u>	<u>\$ 3,838,401</u>
	Beginning June 30, 2006	Additions	Dispositions	Ending June 30, 2007
Cost:				
Buildings and improvements	\$ 2,610,856	\$ 40,725	\$ -	\$ 2,651,581
Equipment	627,509	52,180	37,721	641,968
Furniture and fixtures	52,242	7,895	-	60,137
Rolling stock	<u>4,637,467</u>	<u>90,000</u>	<u>7,521</u>	<u>4,719,946</u>
	<u>7,928,074</u>	<u>190,800</u>	<u>45,242</u>	<u>8,073,632</u>
Accumulated depreciation:				
Buildings and improvements	1,338,738	86,169	-	1,424,907
Equipment	394,008	54,820	35,445	413,383
Furniture and fixtures	38,090	4,806	-	42,896
Rolling stock	<u>2,828,408</u>	<u>303,775</u>	<u>4,825</u>	<u>3,127,358</u>
	<u>4,599,244</u>	<u>449,570</u>	<u>40,270</u>	<u>5,008,544</u>
Total Capital Assets, net	<u>\$ 3,328,830</u>	<u>\$(258,770)</u>	<u>\$ 4,972</u>	<u>\$ 3,065,088</u>

**METROPOLITAN TRANSIT AUTHORITY OF BLACK HAWK COUNTY**  
Notes to the Financial Statements

**NOTE 3 - PENSION AND RETIREMENT BENEFITS:**

The Authority contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.90% (3.70% as of June 30, 2007) of their annual covered salary and the Authority is required to contribute 6.05% (5.75% as of June 30, 2007) of annual covered payroll. Contribution requirements are established by State statute. The Authority's required contributions to IPERS for the years ended June 30, 2008 and 2007, were \$103,437 and \$95,765, respectively.

**NOTE 4 - RELATED PARTY TRANSACTIONS:**

The City of Waterloo is providing free use of the land on which the Authority's operating facility and Central Transfer Facility were built for as long as these facilities remain in operation.

**NOTE 5 - SUMMARY OF LONG-TERM DEBT:**

In fiscal year 2006, the Authority entered into an agreement with the State of Iowa's AMOCO Capital Match Revolving Loan program to borrow \$25,696 over a four year period. As of June 30, 2008, there was \$12,848 outstanding under this program. This loan is unsecured and does not call for any interest payments. Principal payments of \$6,424 must be made on December 31, 2008 and 2009.

**METROPOLITAN TRANSIT AUTHORITY OF BLACK HAWK COUNTY**  
Notes to the Financial Statements

**NOTE 6 - OPERATING LEASES:**

The Authority leases a portion of the Central Transfer Facility to an outside bus transportation service company under a cancelable operating lease. Rental income from the lease was \$9,600 for each of the years ended June 30, 2008 and 2007.

**NOTE 7 - POSTRETIREMENT AND POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS:**

In addition to the pension benefits described in Note 3, the Authority provides health insurance coverage for its retired employees, terminated employees and employees who have been laid off. For those employees who are terminated or laid off, health care coverage is provided for the first three months after termination or lay off. For employees who elect early retirement, the Authority provides the same medical insurance coverage that was available under the Authority's employment until the individual attains age 65. After age 65, the Authority provides a Medicare carve-out policy to the individual. In addition, the Authority provides as a death benefit life insurance for employees who retire from the Authority and have been employed for a stipulated number of years. Substantially all of the Authority's employees are eligible for this benefit.

As of and for the year ended June 30, 2008, there were ten retired employees who received approximately \$29,916 in benefits from the Plan. As of and for the year ended June 30, 2007, there were ten retired employees who received approximately \$33,696 in benefits from this Plan. There were no terminated employees receiving benefits under this Plan.

The Authority's cost of providing both the postretirement and post employment benefits is recognized by expensing the insurance programs' premiums as paid. The Authority has made no provision for recognizing the cost of postretirement benefits which may eventually be paid to employees who have not yet retired.

**NOTE 8 - RISK MANAGEMENT:**

The Authority is exposed to various risks of loss related to torts, theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past two fiscal years.

**METROPOLITAN TRANSIT AUTHORITY OF BLACK HAWK COUNTY**  
Notes to the Financial Statements

**NOTE 9 - CONTINGENCIES AND COMMITMENTS:**

The Authority participates in numerous Federal and State grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies, therefore, to the extent the Authority has not complied with the rules and regulations governing these grants, refunds of any money received may be required. In the opinion of the Authority, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

The Authority is involved in legal proceedings that arise in the ordinary course of business activities. Although the ultimate disposition of these proceedings is not presently determinable, management does not expect the outcome to have a material adverse effect on the Authority's financial position.

As of June 30, 2008, the Authority had commitments of approximately \$576,000 for acquisition of rolling stock, which was incurred in fiscal year 2009.

# **Metropolitan Transit Authority of Black Hawk County**

Single Audit Reports

Year Ended June 30, 2008



## METROPOLITAN TRANSIT AUTHORITY OF BLACK HAWK COUNTY

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**REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees  
Metropolitan Transit Authority of Black Hawk County  
Waterloo, Iowa

We have audited the financial statements of the Metropolitan Transit Authority of Black Hawk County as of and for the year ended June 30, 2008, and have issued our report thereon dated February 20, 2009. 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 Metropolitan Transit Authority of Black Hawk County's internal control over financial reporting as a basis for designing 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 Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally

accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 08-11-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe that the significant deficiency described above is a material weakness.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Metropolitan Transit Authority of Black Hawk County'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 Metropolitan Transit Authority of Black Hawk County in a separate letter dated February 20, 2009.

Metropolitan Transit Authority of Black Hawk County's response to the finding in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the Metropolitan Transit Authority of Black Hawk County'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 Organization, 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.

*Bergan Paulsen & Company, P.C.*

Waterloo, Iowa  
February 20, 2009

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**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Trustees  
Metropolitan Transit Authority of Black Hawk County  
Waterloo, Iowa

**Compliance**

We have audited the compliance of the Metropolitan Transit Authority of Black Hawk County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The Metropolitan Transit Authority of Black Hawk County'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 its major federal programs is the responsibility of the Metropolitan Transit Authority of Black Hawk County's management. Our responsibility is to express an opinion on the Metropolitan Transit Authority of Black Hawk County'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 Metropolitan Transit Authority of Black Hawk County'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 Metropolitan Transit Authority of Black Hawk County's compliance with those requirements.

In our opinion, the Metropolitan Transit Authority of Black Hawk County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

### **Internal Control Over Compliance**

The management of the Metropolitan Transit Authority of Black Hawk County 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 Metropolitan Transit Authority of Black Hawk County's internal control over compliance with 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, 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 Metropolitan Transit Authority of Black Hawk County's internal control over compliance.

*A control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. *A significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

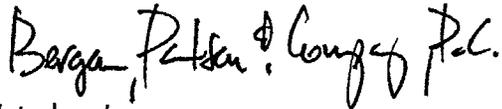
*A material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

### Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the Metropolitan Transit Authority of Black Hawk County as of and for the year ended June 30, 2008, and have issued our report thereon dated February 20, 2009. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the board of trustees, management, others within the organization, 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.



Waterloo, Iowa  
February 20, 2009

**METROPOLITAN TRANSIT AUTHORITY OF BLACK HAWK COUNTY**

Schedule of Expenditures of Federal Awards

For the year ended June 30, 2008

<u>U.S. Department of Transportation</u>	<u>Federal CFDA Number</u>	<u>Federal Grant/ Pass Through Entity Identifying Number</u>	<u>Expenditures</u>
Operating Assistance	20.507	IA-90-0330	\$ 1,391,454
Capital Assistance			
UNI Multimodal System	20.500	IA-03-0100	463,186
UNI Multimodal System	20.500	IA-03-0108	474,222
Bus and related facilities	20.500	IA-90-0272	17,684
Bus and related facilities	20.500	IA-90-0301	<u>161,082</u>
 Total U.S. Department of Transportation			 <u>\$ 2,507,628</u>

The schedule of expenditures of federal awards includes the federal grant activity of the Authority and is presented on the accrual basis of accounting. 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, or used in the preparation of, the basic financial statements.

**METROPOLITAN TRANSIT AUTHORITY OF BLACK HAWK COUNTY**  
**Schedule of Findings and Questioned Costs**  
**For the year ended June 30, 2008**

**Part I: Summary of Independent Auditor's Results**

1. The auditor's report expresses an unqualified opinion on the financial statements of the Metropolitan Transit Authority of Black Hawk County.
2. One significant deficiency disclosed during the audit of the financial statements is reported in the 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 significant deficiency is not considered a material weakness.
3. No instances of noncompliance material to the financial statements of the Metropolitan Transit Authority of Black Hawk County, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. The audit did not disclose any significant deficiencies in internal control over the major federal award programs.
5. The auditor's report on compliance for the major federal award programs for the Metropolitan Transit Authority of Black Hawk County expresses an unqualified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with OMB Circular A-133, Section 510(a) are reported in this Schedule.
7. The major programs tested are CFDA Number 20.507 – Federal Transit Formula Grants, and CFDA Number 20.500 – Federal Transit Capital Investment Grants.
8. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
9. The Metropolitan Transit Authority of Black Hawk County did not qualify as a low-risk auditee.

## **Part II: Finding Related to the Financial Statements**

### SIGNIFICANT DEFICIENCIES

#### **08-II-1**

Condition – The Board of Trustees and management share the ultimate responsibility for the Authority's internal control system. While it is acceptable to outsource various accounting functions, the responsibility for internal control should not be outsourced. The Authority engages Bergan Paulsen to assist in preparing its financial statements and accompanying disclosures. However, as independent auditors, Bergan Paulsen cannot be considered part of the Authority's internal control system. To establish proper internal control over the preparation of its financial statements, including disclosures, the Authority would have to design and implement a comprehensive review procedure to ensure that the financial statements, including disclosures, are complete and accurate. Such review procedures would be performed by an individual possessing a thorough understanding of applicable generally accepted accounting principles and knowledge of the Authority's activities and operations.

Authority's Response - The Authority has determined that it would not be cost effective to implement procedures to perform a review of the Authority's financial statements and related disclosures to provide a high level of assurance that any potential material omissions or other errors would be identified and corrected. However, the Authority believes that there is a low risk that potential material omissions or other errors will go undetected.

## **Part III: Findings and Questioned Costs for Federal Awards**

The audit did not disclose audit findings which are required to be reported in accordance with OMB Circular A-133.

## **Part IV: Status of Prior Year Findings**

For the year ended June 30, 2007, there were no findings and questioned costs.