

Metropolitan Transit Authority of Black Hawk County

Financial Statements

June 30, 2012 and 2011



Metropolitan Transit Authority of Black Hawk County

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**Bergan, Paulsen
& Company, P.C.**

**100 East Park Ave.,
Suite 300**
P.O. Box 2100
Waterloo, IA
50704-2100
319.234.6885
F: 319.234.6287

**602 Main St.,
Suite 100**
P.O. Box 489
Cedar Falls, IA
50613-0026
319.268.1715
F: 319.268.1720

**2720 1st Avenue NE,
Suite 300**
P.O. Box 10200
Cedar Rapids, IA
52402-0200
319.294.8000
F: 319.294.9003

**2530 Corridor Way,
Suite 301**
P.O. Box 5267
Coralville, IA
52241-0267
319.248.0367
F: 319.248.0582

800.741.7087
berganpaulsen.com

INDEPENDENT AUDITORS' 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 (the Authority) as of and for the years ended June 30, 2012 and 2011, 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 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 the 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, 2012 and 2011, 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 November 29, 2012, 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 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 on pages 3 through 8 and the schedule of funding progress on page 19 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the management's discussion and analysis and schedule of funding progress because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Waterloo, Iowa
November 29, 2012

Metropolitan Transit Authority of Black Hawk County
Management's Discussion and Analysis
June 30, 2012 and 2011

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, 2012 and 2011. This analysis is intended to be read in conjunction with the financial statements which follow this section.

FINANCIAL HIGHLIGHTS

As of June 30, 2012 and 2011, total assets of the Authority exceeded total liabilities by \$7,894,306 and \$7,705,749, respectively. The amount of unrestricted net assets as of June 30, 2012, was \$2,543,435 compared to \$2,578,576 as of June 30, 2011.

Capital contributions from federal, state and local governments were \$1,151,889 in 2012 and \$1,713,115 in 2011. Such contributions were used to make improvements to the operating facility and to purchase buses.

The Authority adheres to the provisions of Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The result of GASB Statement No. 45 was to increase benefit expenses by \$89,000 in 2012 and \$129,355 in 2011.

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.

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.

**Metropolitan Transit Authority of Black Hawk County
Management's Discussion and Analysis
June 30, 2012 and 2011**

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 page 11 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 12 through 18.

FINANCIAL ANALYSIS

Statements of Net Assets - Total assets of the Authority exceeded total liabilities by \$7,894,306 and \$7,705,749 as of June 30, 2012 and 2011, respectively. The largest portion of this excess in both 2012 and 2011, was invested in capital assets. 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.

**Metropolitan Transit Authority of Black Hawk County
Management's Discussion and Analysis
June 30, 2012 and 2011**

Condensed Statements of Net Assets

	2012	2011	2010
Current assets	\$3,163,095	\$3,060,976	\$3,047,830
Capital assets	<u>5,350,871</u>	<u>5,127,173</u>	<u>4,047,106</u>
Total Assets	<u>\$8,513,966</u>	<u>\$8,188,149</u>	<u>\$7,094,936</u>
Current liabilities	\$ 282,305	\$ 234,045	\$ 235,215
Long-term liabilities	<u>337,355</u>	<u>248,355</u>	<u>119,000</u>
Total Liabilities	<u>619,660</u>	<u>482,400</u>	<u>354,215</u>
Net assets			
Invested in capital assets, net of related debt	5,350,871	5,127,173	4,047,106
Unrestricted	<u>2,543,435</u>	<u>2,578,576</u>	<u>2,693,615</u>
Total Net Assets	<u>7,894,306</u>	<u>7,705,749</u>	<u>6,740,721</u>
Total Liabilities and Net Assets	<u>\$8,513,966</u>	<u>\$8,188,149</u>	<u>\$7,094,936</u>

Total net assets increased \$188,557 (2%) in 2012 primarily due to capital contributions for the purchase of three vehicles for regular routes. Total net assets increased \$965,028 (14%) in 2011 primarily due to capital contributions for the purchase of five vehicles for regular routes.

Current assets consist of cash, cash equivalents, receivables, prepaid expenses and inventories. These assets increased by \$102,119 (3%) in 2012 and \$13,146 (.4%) in 2011. The increase in 2012 is due primarily to an increase in cash and cash equivalents related to the timing of the receipt of the Authority's federal operating assistance.

**Metropolitan Transit Authority of Black Hawk County
Management's Discussion and Analysis
June 30, 2012 and 2011**

Statements of Revenues, Expenses and Changes in Net Assets - 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>2012</u>	<u>2011</u>	<u>2010</u>
Revenues			
Operating revenues:			
Passenger fares	\$ 553,937	\$ 514,704	\$ 560,333
Contract services	<u>246,289</u>	<u>210,088</u>	<u>182,230</u>
Total operating revenues	800,226	724,792	742,563
Investment income	476	10	2,767
Operating grants	3,591,230	3,626,079	3,520,481
Other nonoperating revenues	<u>7,731</u>	<u>7,705</u>	<u>51,117</u>
Total revenues	<u>4,399,663</u>	<u>4,358,586</u>	<u>4,316,928</u>
Expenses			
Operating expenses:			
Operations and maintenance	4,087,842	3,979,998	3,657,703
General and administrative	334,608	323,536	339,675
Depreciation	<u>940,545</u>	<u>803,139</u>	<u>678,877</u>
Total expenses	<u>5,362,995</u>	<u>5,106,673</u>	<u>4,676,255</u>
Loss before capital contributions	(963,332)	(748,087)	(359,327)
Capital contributions, net of transfers	<u>1,151,889</u>	<u>1,713,115</u>	<u>423,017</u>
Increase in net assets	188,557	965,028	63,690
Net assets, beginning	<u>7,705,749</u>	<u>6,740,721</u>	<u>6,677,031</u>
Net assets, ending	<u>\$ 7,894,306</u>	<u>\$ 7,705,749</u>	<u>\$ 6,740,721</u>

The increase in operating revenue of \$75,434 (10%) in 2012 was due primarily to the increase in the number of riders on fixed routes and paratransit routes as well as increases in contract services. The decrease in operating revenue of \$17,771 (2%) in 2011 was due primarily to the decrease in the number of riders on fixed routes and partially offset by increases in contract services.

**Metropolitan Transit Authority of Black Hawk County
Management's Discussion and Analysis
June 30, 2012 and 2011**

Total expenses increased by \$256,322 (5%) in 2012 primarily because of the following increases and decreases: salaries, wages and benefits increased by \$68,000 (2%) primarily because of increases in pay rates, healthcare costs, and partially offset by a decrease of postemployment benefits accrued as a result of GASB Statement No. 45; operating supplies increased by \$71,884 (9%) primarily due to increases in diesel prices; other services and charges decreased by \$15,306 (4%) primarily due to decreased prime time services; and depreciation expense increased by \$137,406 (17%).

Total expenses increased by \$430,418 (9%) in 2011 primarily because of the following increases and decreases: salaries, wages and benefits increased by \$111,385 (4%) because of increases in pay rates, healthcare costs, and the recognition of \$129,355 of postemployment benefits as a result of GASB Statement No. 45; operating supplies increased by \$165,330 (28%) primarily due to increases in diesel prices, outside maintenance and purchases of bus parts; other services and charges increased by \$29,617 (7%) primarily due to increased insurance costs; and depreciation expense increased by \$124,262 (18%).

Capital contributions decreased \$561,226 in 2012 and increased \$1,290,098 in 2011. The primary reason for the change is due to federal capital grants available for capital projects.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets - The Authority's investment in capital assets as of June 30, 2012 and 2011, amounted to \$5,350,871 and \$5,127,173 (net of accumulated depreciation), respectively. The total change in investments in capital assets (including additions and disposals, net of depreciation) was an increase of \$223,698 (4%) for 2012 and an increase of \$1,080,067 (27%) for 2011.

The following table summarizes capital assets net of depreciation:

	2012	2011	2010
Buildings and improvements	\$1,076,778	\$1,115,160	\$ 1,187,323
Equipment	294,947	221,458	130,230
Furniture and fixtures	5,507	8,252	10,989
Rolling stock	<u>3,973,639</u>	<u>3,782,303</u>	<u>2,718,564</u>
 Total	 <u>\$5,350,871</u>	 <u>\$5,127,173</u>	 <u>\$ 4,047,106</u>

**Metropolitan Transit Authority of Black Hawk County
Management's Discussion and Analysis
June 30, 2012 and 2011**

As of June 30, 2012, the Authority had commitments of approximately \$606,000 for acquisition of rolling stock, which will be received in fiscal year 2013.

Additional information on the Authority's capital assets can be found in Note 2 on pages 14 and 15.

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, 2012 and 2011

	Assets	
	2012	2011
Current Assets		
Cash and cash equivalents	\$ 2,001,644	\$ 1,797,869
Receivables	920,889	1,036,432
Prepaid expenses	51,599	46,023
Inventories	188,963	180,652
	<u>3,163,095</u>	<u>3,060,976</u>
Total Current Assets		
Capital Assets, net	<u>5,350,871</u>	<u>5,127,173</u>
Total Assets	<u>\$ 8,513,966</u>	<u>\$ 8,188,149</u>
	Liabilities and Net Assets	
Current Liabilities		
Accounts payable	\$ 87,128	\$ 51,997
Accrued expenses	175,188	164,872
Accrued IPERS	19,989	17,176
	<u>282,305</u>	<u>234,045</u>
Total Current Liabilities		
Long-Term Liabilities		
Other postemployment benefits	<u>337,355</u>	<u>248,355</u>
Net Assets		
Invested in capital assets	5,350,871	5,127,173
Unrestricted	<u>2,543,435</u>	<u>2,578,576</u>
	<u>7,894,306</u>	<u>7,705,749</u>
Total Net Assets		
Total Liabilities and Net Assets	<u>\$ 8,513,966</u>	<u>\$ 8,188,149</u>

Metropolitan Transit Authority of Black Hawk County
 Statements of Revenues, Expenses and Changes in Net Assets
 For the years ended June 30, 2012 and 2011

	2012	2011
Operating Revenues		
Passenger fares	\$ 553,937	\$ 514,704
Contract services	<u>246,289</u>	<u>210,088</u>
Total Operating Revenues	<u>800,226</u>	<u>724,792</u>
Operating Expenses		
Personal services	3,146,536	3,078,538
Operating supplies	831,475	759,592
Utilities	29,687	35,346
Other services and charges	414,752	430,058
Depreciation	<u>940,545</u>	<u>803,139</u>
Total Operating Expenses	<u>5,362,995</u>	<u>5,106,673</u>
Operating Loss	<u>(4,562,769)</u>	<u>(4,381,881)</u>
Nonoperating Revenues		
Miscellaneous income	8,207	7,715
Operating grants - federal, state and local	<u>3,591,230</u>	<u>3,626,079</u>
Total Nonoperating Revenues	<u>3,599,437</u>	<u>3,633,794</u>
Net Loss Before Contributions	(963,332)	(748,087)
Capital Contributions		
Federal, state, local	<u>1,151,889</u>	<u>1,713,115</u>
Change in Net Assets	188,557	965,028
Net Assets, Beginning of Year	<u>7,705,749</u>	<u>6,740,721</u>
Net Assets, End of Year	<u><u>\$ 7,894,306</u></u>	<u><u>\$ 7,705,749</u></u>

Metropolitan Transit Authority of Black Hawk County

Statements of Cash Flows

For the years ended June 30, 2012 and 2011

	2012	2011
Cash Flows From Operating Activities		
Receipts from customers	\$ 774,234	\$ 699,132
Payments to suppliers	(1,362,120)	(1,358,164)
Payments to employees	<u>(2,896,702)</u>	<u>(2,783,515)</u>
Net Cash Used In Operating Activities	<u>(3,484,588)</u>	<u>(3,442,547)</u>
Cash Flows From Noncapital Financing Activities:		
Operating grants and subsidies	<u>3,740,496</u>	<u>4,248,456</u>
Cash Flows From Capital and Related Financing Activities:		
Purchases of property and equipment	(1,289,125)	(1,943,956)
Proceeds from sale of equipment	84,627	24,360
Capital grants	<u>1,151,889</u>	<u>1,713,115</u>
Net Cash Used in Capital and Related Financing Activities	<u>(52,609)</u>	<u>(206,481)</u>
Cash Flows From Investing Activities		
Interest	<u>476</u>	<u>10</u>
Net Increase in Cash and Cash Equivalents	203,775	599,438
Cash and Cash Equivalents at Beginning of Year	<u>1,797,869</u>	<u>1,198,431</u>
Cash and Cash Equivalents at End of Year	<u>\$ 2,001,644</u>	<u>\$ 1,797,869</u>
Reconciliation of Operating Loss to Net Cash Used In Operating Activities:		
Operating loss	\$ (4,562,769)	\$ (4,381,881)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation	940,545	803,139
Loss on sale of equipment	40,255	36,390
Changes in:		
Receivables	(25,992)	(25,660)
Prepaid expenses	(5,576)	4,994
Inventories	(8,311)	(7,714)
Accounts payable and accrued liabilities	<u>137,260</u>	<u>128,185</u>
Net Cash Used in Operating Activities	<u>\$ (3,484,588)</u>	<u>\$ (3,442,547)</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 PRESENTATION AND ACCOUNTING

The basic financial statements of the Authority have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles for state and local governments within the United States of America.

In accordance with GAAP, the Authority's operations are accounted for as a business-type activity. In this regard, the Authority follows the economic resources measurement focus and the accrual basis of accounting, whereby revenues are recognized when they are earned, and expenses are recorded when they are incurred, irrespective of when paid.

Under GAAP, the Authority has the option of consistently following or not following pronouncements issued by the Financial Accounting Standards Board (FASB) subsequent to November 30, 1989. The Authority has elected not to follow FASB standards issued after that date, unless such standards are specifically adopted by GASB.

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

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.

Metropolitan Transit Authority Of Black Hawk County

Notes to the Financial Statements

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

CASH EQUIVALENTS

Cash equivalents are recorded at cost plus accrued interest, which approximates market, and have original maturities of three months or less at the date of purchase.

INVENTORIES

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

CAPITAL ASSETS

Capital assets represent 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

CASH AND INVESTMENTS

The Authority's deposits, which are held in a single financial institution, were entirely covered by federal depository insurance or the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This Chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Authority is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Committee established in Chapter 12C; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

CAPITAL CONTRIBUTIONS

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

Metropolitan Transit Authority Of Black Hawk County

Notes to the Financial Statements

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

COMPENSATED ABSENCES

Accumulated unpaid vacation and sick pay are accrued when incurred. The Authority had accrued \$83,643 as of June 30, 2012 and 2011 for unpaid vacation and sick pay.

BOARD DESIGNATED NET ASSETS

\$1,200,000 and \$107,000 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.

SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 29, 2012, the date which the financial statements were available for issue.

NOTE 2 - CAPITAL ASSETS:

The following summarizes the Authority's capital assets and changes for the years ended June 30, 2012 and 2011.

	Balance June 30, 2011	Additions	Dispositions	Balance June 30, 2012
Cost:				
Buildings and improvements	\$ 2,848,312	\$ 34,940	\$ -	\$ 2,883,252
Equipment	754,070	140,383	47,210	847,243
Furniture and fixtures	57,661	-	1,100	56,561
Rolling stock	<u>7,296,065</u>	<u>1,113,802</u>	<u>657,501</u>	<u>7,752,366</u>
	<u>10,956,108</u>	<u>1,289,125</u>	<u>705,811</u>	<u>11,539,422</u>
Accumulated depreciation:				
Buildings and improvements	1,733,152	73,322	-	1,806,474
Equipment	532,612	64,784	45,100	552,296
Furniture and fixtures	49,409	2,736	1,091	51,054
Rolling stock	<u>3,513,762</u>	<u>799,703</u>	<u>534,738</u>	<u>3,778,727</u>
	<u>5,828,935</u>	<u>940,545</u>	<u>580,929</u>	<u>6,188,551</u>
Total Capital Assets, net	<u>\$ 5,127,173</u>	<u>\$ 348,580</u>	<u>\$ 124,882</u>	<u>\$ 5,350,871</u>

Metropolitan Transit Authority Of Black Hawk County
Notes to the Financial Statements

NOTE 2 - CAPITAL ASSETS (Cont'd.):

	Balance June 30, 2010	Additions	Dispositions	Balance June 30, 2011
Cost:				
Buildings and improvements	\$ 2,848,312	\$ -	\$ -	\$ 2,848,312
Equipment	661,548	137,241	44,719	754,070
Furniture and fixtures	57,661	-	-	57,661
Rolling stock	<u>5,939,934</u>	<u>1,806,714</u>	<u>450,583</u>	<u>7,296,065</u>
	<u>9,507,455</u>	<u>1,943,955</u>	<u>495,302</u>	<u>10,956,108</u>
Accumulated depreciation:				
Buildings and improvements	1,660,989	72,163	-	1,733,152
Equipment	531,318	46,013	44,719	532,612
Furniture and fixtures	46,672	2,737	-	49,409
Rolling stock	<u>3,221,370</u>	<u>682,225</u>	<u>389,833</u>	<u>3,513,762</u>
	<u>5,460,349</u>	<u>803,138</u>	<u>434,552</u>	<u>5,828,935</u>
Total Capital Assets, net	<u>\$ 4,047,106</u>	<u>\$1,140,817</u>	<u>\$ 60,750</u>	<u>\$ 5,127,173</u>

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, or via the IPERS website, www.ipers.org.

Plan members are required to contribute 5.38% (4.50% as of June 30, 2011) of their annual covered salary and the Authority is required to contribute 8.07% (6.95% as of June 30, 2011) of annual covered payroll. Contribution requirements are established by State statute. The Authority's required contributions to IPERS for the years ended June 30, 2012 and 2011, were \$161,769 and \$136,501, respectively.

Metropolitan Transit Authority Of Black Hawk County

Notes to the Financial Statements

NOTE 4 – OTHER POSTEMPLOYMENT BENEFITS (OPEB):

The Authority operates a single-employer retiree benefit plan which provides the following benefits:

- A death benefit to normal and early retirees based on years of service at retirement. Benefit amounts range from \$0 to \$4,000, and
- Health coverage for early retirees who have reached age 60 with 10 years of service, or have 35 years of service at any age. The early retiree's contribution is the same as an active employee. Upon reaching age 65, the Authority provides a Medicare supplemental policy to eligible retirees. The retiree pays 20% of the single premium cost.

Benefit provisions and contribution rates are established through negotiations between the Authority and the union representing the employees of the Authority, and are renegotiated each three-year bargaining period. The Authority is on a pay-as-you-go funding of the benefits. For the years ended June 30, 2012 and 2011, contributions under the plan were \$27,000 and \$36,000, respectively. The plan does not issue a stand-alone financial report.

The Authority's annual OPEB cost is calculated based on the annual required contribution (ARC) of the Authority. The ARC and related information is being calculated using the alternative measurement method permitted by GASB Statement No. 45 for employers in plans with fewer than 100 total plan members. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the Authority's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the Authority's net OPEB obligation:

Annual required contribution	\$ 114,000
Interest on net OPEB obligation	11,000
Adjustment to annual required contribution	<u>(9,000)</u>
Annual OPEB cost	116,000
Contributions made	<u>(27,000)</u>
Increase in net OPEB obligation	89,000
Net OPEB obligation beginning of year	<u>248,355</u>
Net OPEB obligation end of year	<u>\$ 337,355</u>

Metropolitan Transit Authority Of Black Hawk County

Notes to the Financial Statements

NOTE 4 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Cont'd.):

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2012 and the two preceding years are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$ 160,000	25.62%	\$ 119,000
June 30, 2011	\$ 165,355	21.77%	\$ 248,355
June 30, 2012	\$ 116,000	31.03%	\$ 337,355

As of July 1, 2011, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$1,089,000, with no actuarial value of assets, resulting in an unfunded actuarial liability (UAAL) of \$1,089,000. The covered payroll (annual payroll of active employees covered by the plan) was \$2,014,946 and the ratio of the UAAL to covered payroll was 54%. As of June 30, 2012, there were no trust fund assets.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumption about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the Authority and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the Authority and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2011 actuarial valuation date, the projected unit credit method was used. The actuarial assumptions include a 4.5% discount rate, a projected annual medical trend rate of 10% and an ultimate medical trend rate of 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Metropolitan Transit Authority Of Black Hawk County

Notes to the Financial Statements

NOTE 5 - 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 6 - 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.

NOTE 7 - 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.

As of June 30, 2012, the Authority had commitments of approximately \$606,000 for acquisition of rolling stock, which will be received in fiscal year 2013.

Metropolitan Transit Authority of Black Hawk County

Required Supplementary Information

June 30, 2012

Schedule of Funding Progress
Other Postemployment Benefits

Fiscal Year Ended	Actuarial Valuation Date	Actuarial Value of Net Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Over funded) AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
6/30/10	7/1/09	\$ -	\$ 1,511,000	\$ 1,511,000	- %	\$ 1,925,285	78.48%
6/30/11	7/1/09	\$ -	\$ 1,511,000	\$ 1,511,000	- %	\$ 1,957,076	77.21%
6/30/12	7/1/11	\$ -	\$ 1,089,000	\$ 1,089,000	- %	\$ 2,014,946	54.05%