

Metropolitan Transit Authority of Black Hawk County

Financial Statements

June 30, 2014 and 2013



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

Report on the Financial Statements

We have audited the accompanying financial statements of Metropolitan Transit Authority of Black Hawk County, which comprise the statements of net position as of June 30, 2014 and 2013, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the

circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Metropolitan Transit Authority of Black Hawk County as of June 30, 2014 and 2013, 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

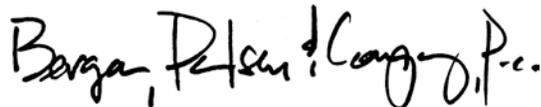
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Schedule of Funding Progress as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2015, on our consideration of Metropolitan Transit Authority of Black Hawk County'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Metropolitan Transit Authority of Black Hawk County's internal control over financial reporting and compliance.



Waterloo, Iowa
January 29, 2015

**Metropolitan Transit Authority of Black Hawk County
Management's Discussion and Analysis
June 30, 2014 and 2013**

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, 2014 and 2013. This analysis is intended to be read in conjunction with the financial statements which follow this section.

FINANCIAL HIGHLIGHTS

As of June 30, 2014 and 2013, the net position of the Authority was \$7,677,334 and \$7,719,646, respectively. Of this amount, \$5,328,494 and \$5,209,820 was invested in the Authority's capital assets as of June 30, 2014 and 2013, respectively. The Authority's net position decreased by \$42,312 and \$174,660 for the years ended June 30, 2014 and 2013, respectively.

Capital contributions from federal, state and local governments were \$754,571 in 2014 and \$524,735 in 2013. Such contributions were used to make improvements to the operating facility and to purchase buses.

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: statement of net position, statement of revenues, expenses, and changes in net position, statement of cash flows, and notes to the financial statements.

The statement of net position presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. The statement of net position can be found on page 10.

The statement of revenues, expenses and changes in net position presents information on revenues, expenses, capital contributions, and how the Authority's net position changed during the two most recent fiscal years. All changes in net position 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 statement for some items that will only result in cash flows in future fiscal periods. The increase or decrease in net position may serve as an indicator of the effect of the Authority's current year operations on its financial position. The statement of revenues, expenses and changes in net position can be found on page 11 of this report.

**Metropolitan Transit Authority of Black Hawk County
Management's Discussion and Analysis
June 30, 2014 and 2013**

The statement of cash flows summarizes 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 statement of cash flows can be found on page 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 statement of net position, statement of revenues, expenses and changes in net position, and statement of cash flows. The notes to the financial statements can be found on pages 13 through 21.

FINANCIAL ANALYSIS

Statement of Net Position – Net position, the difference between assets and liabilities, was \$7,677,334 and \$7,719,646 as of June 30, 2014 and 2013, respectively. The largest portion of net position in both 2014 and 2013, 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, 2014 and 2013**

Condensed Statements of Net Position

| | 2014 | 2013 | 2012 |
|------------------------------------|--------------------|--------------------|--------------------|
| Current assets | \$3,142,615 | \$3,240,532 | \$3,163,095 |
| Capital assets, net | <u>5,328,494</u> | <u>5,209,820</u> | <u>5,350,871</u> |
| Total Assets | <u>\$8,471,109</u> | <u>\$8,450,352</u> | <u>\$8,513,966</u> |
| Current liabilities | \$ 252,775 | \$ 288,706 | \$ 282,305 |
| Long-term liabilities | <u>541,000</u> | <u>442,000</u> | <u>337,355</u> |
| Total Liabilities | <u>793,775</u> | <u>730,706</u> | <u>619,660</u> |
| Net investment in capital assets | 5,328,494 | 5,209,820 | 5,350,871 |
| Unrestricted net position | <u>2,348,840</u> | <u>2,509,826</u> | <u>2,543,435</u> |
| Total Net Position | <u>7,677,334</u> | <u>7,719,646</u> | <u>7,894,306</u> |
| Total Liabilities and Net Position | <u>\$8,471,109</u> | <u>\$8,450,352</u> | <u>\$8,513,966</u> |

Total net position decreased \$42,312 (.5%) in 2014 primarily due to increased operating expenses. Total net position decreased \$174,660 (2%) in 2013 primarily due to an increase in capital contributions, which were used for the purchase of three vehicles for regular routes, offset by higher operating costs.

Current assets consist of cash and cash equivalents, receivables, prepaid expenses and inventories. These assets decreased by \$97,917 (3%) in 2014 and \$77,437 (2%) in 2013. The decrease in 2014 is due primarily to a decrease in receivables due to the timing of the receipt of federal operating assistance, partially offset by an increase in cash and cash equivalents. The increase in 2013 is due primarily to increases in receivables due to federal operating assistance and bus parts inventory, partially offset by a decrease in cash and cash equivalents.

**Metropolitan Transit Authority of Black Hawk County
Management's Discussion and Analysis
June 30, 2014 and 20132013**

Statement of Revenues, Expenses and Changes in Net Position - The key elements of the changes in net position are shown in the following table.

Condensed Summary of Revenues, Expenses and Changes in Net Position

| | 2014 | 2013 <u>2013</u> | 2012 <u>2012</u> |
|---|---------------------|---------------------|---------------------|
| Revenues | | | |
| Operating revenues: | | | |
| Passenger fares | \$ 635,004 | \$ 591,330 | \$ 553,937 |
| Contract services | <u>198,818</u> | <u>208,989</u> | <u>246,289</u> |
| Total operating revenues | 833,822 | 800,319 | 800,226 |
| Investment income | 5,027 | 4,925 | 476 |
| Operating grants | 3,792,169 | 3,799,992 | 3,591,230 |
| Other nonoperating revenues | <u>43,825</u> | <u>48,050</u> | <u>7,731</u> |
| Total revenues | <u>4,674,843</u> | <u>4,653,286</u> | <u>4,399,663</u> |
| Expenses | | | |
| Operating expenses: | | | |
| Operations and maintenance | 4,310,036 | 4,104,318 | 4,087,842 |
| General and administrative | 385,689 | 377,576 | 334,608 |
| Depreciation | <u>776,001</u> | <u>870,787</u> | <u>940,545</u> |
| Total operating expenses | <u>5,471,726</u> | <u>5,352,681</u> | <u>5,362,995</u> |
| Loss before capital contributions | (796,883) | (699,395) | (963,332) |
| Capital contributions, net of transfers | <u>754,571</u> | <u>524,735</u> | <u>1,151,889</u> |
| Increase (decrease) in net position | (42,312) | (174,660) | 188,557 |
| Net position, beginning | <u>7,719,646</u> | <u>7,894,306</u> | <u>7,705,749</u> |
| Net position, ending | <u>\$ 7,677,334</u> | <u>\$ 7,719,646</u> | <u>\$ 7,894,306</u> |

The increase in operating revenue of \$33,503 (4%) in 2014, compared to 2013, was due primarily to the increase in the number of riders on fixed routes and an increase in Medicaid reimbursement rates. There was very little change in overall operating revenue between 2013 and 2012.

**Metropolitan Transit Authority of Black Hawk County
Management's Discussion and Analysis
June 30, 2014 and 2013**

Total expenses increased by \$119,045 (2%) in 2014, compared to 2013, primarily because of the following increases and decreases: salaries, wages and benefits increased by \$99,000 (3%) primarily because of increases in pay rates and healthcare costs; operating supplies increased by \$80,928 (10%) primarily due to increased parts purchased; other services and charges increased by \$28,053 (8%) primarily due to an increase in insurance premiums; and depreciation expense decreased by \$94,786 (11%).

There was very little change in operating expenses between 2013 and 2012.

Capital contributions increased \$229,836 in 2014 and decreased \$627,154 in 2013. 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, 2014 and 2013, amounted to \$5,328,494 and \$5,209,820 (net of accumulated depreciation), respectively. The total change in investments in capital assets (including additions and disposals, net of depreciation) was an increase of \$118,674 (2%) for 2014 and a decrease of \$141,051 (3%) for 2013.

The following table summarizes capital assets net of depreciation:

| | 2014 | 2013 | 2012 |
|----------------------------|------------------------|------------------------|------------------------|
| Buildings and improvements | \$1,025,878 | \$1,031,779 | \$1,076,778 |
| Equipment | 317,801 | 344,384 | 332,437 |
| Furniture and fixtures | 1,069 | 2,771 | 5,507 |
| Rolling stock | <u>3,983,746</u> | <u>3,830,886</u> | <u>3,936,149</u> |
| Total | <u>\$5,328,494</u> | <u>\$5,209,820</u> | <u>\$5,350,871</u> |

Additional information on the Authority's capital assets can be found in Note 2 on page 17.

**Metropolitan Transit Authority of Black Hawk County
Management's Discussion and Analysis
June 30, 2014 and 2013**

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 Position
As of June 30, 2014 and 2013

| | Assets | |
|------------------------------------|-------------------------------------|---------------------|
| | 2014 | 2013 |
| Current Assets | | |
| Cash and cash equivalents | \$ 2,763,302 | \$ 1,979,409 |
| Receivables | 138,715 | 990,789 |
| Prepaid expenses | 65,806 | 60,835 |
| Inventories | 174,792 | 209,499 |
| | <hr/> | <hr/> |
| Total Current Assets | 3,142,615 | 3,240,532 |
| | <hr/> | <hr/> |
| Capital Assets, net | 5,328,494 | 5,209,820 |
| | <hr/> | <hr/> |
| Total Assets | <u>\$ 8,471,109</u> | <u>\$ 8,450,352</u> |
| | | |
| | Liabilities and Net Position | |
| Current Liabilities | | |
| Accounts payable | \$ 17,191 | \$ 60,129 |
| Accrued expenses | 212,516 | 205,983 |
| Accrued IPERS | 23,068 | 22,594 |
| | <hr/> | <hr/> |
| Total Current Liabilities | 252,775 | 288,706 |
| | <hr/> | <hr/> |
| Long-Term Liabilities | | |
| Other postemployment benefits | 541,000 | 442,000 |
| | <hr/> | <hr/> |
| Net Position | | |
| Net investment in capital assets | 5,328,494 | 5,209,820 |
| Unrestricted | 2,348,840 | 2,509,826 |
| | <hr/> | <hr/> |
| Total Net Position | 7,677,334 | 7,719,646 |
| | <hr/> | <hr/> |
| Total Liabilities and Net Position | <u>\$ 8,471,109</u> | <u>\$ 8,450,352</u> |

Metropolitan Transit Authority of Black Hawk County
Statements of Revenues, Expenses and Changes in Net Position
For the years ended June 30, 2014 and 2013

| | 2014 | 2013 |
|---|----------------------------|----------------------------|
| Operating Revenues | | |
| Passenger fares | \$ 635,004 | \$ 591,330 |
| Contract services | <u>198,818</u> | <u>208,989</u> |
| Total Operating Revenues | <u>833,822</u> | <u>800,319</u> |
| Operating Expenses | | |
| Personal services | 3,378,090 | 3,279,346 |
| Operating supplies | 895,930 | 815,002 |
| Utilities | 37,680 | 31,574 |
| Other services and charges | 384,025 | 355,972 |
| Depreciation | <u>776,001</u> | <u>870,787</u> |
| Total Operating Expenses | <u>5,471,726</u> | <u>5,352,681</u> |
| Operating Loss | <u>(4,637,904)</u> | <u>(4,552,362)</u> |
| Nonoperating Revenues | | |
| Miscellaneous income | 48,852 | 53,079 |
| Operating grants - federal, state and local | <u>3,792,169</u> | <u>3,799,888</u> |
| Total Nonoperating Revenues | <u>3,841,021</u> | <u>3,852,967</u> |
| Net Loss Before Contributions | (796,883) | (699,395) |
| Capital Contributions | | |
| Federal, state, local | <u>754,571</u> | <u>524,735</u> |
| Change in Net Position | (42,312) | (174,660) |
| Net Position, Beginning of Year | <u>7,719,646</u> | <u>7,894,306</u> |
| Net Position, End of Year | <u><u>\$ 7,677,334</u></u> | <u><u>\$ 7,719,646</u></u> |

Metropolitan Transit Authority of Black Hawk County

Statements of Cash Flows

For the years ended June 30, 2014 and 2013

| | 2014 | 2013 |
|--|------------------------------|------------------------------|
| Cash Flows From Operating Activities | | |
| Receipts from customers | \$ 792,472 | \$ 837,113 |
| Payments to suppliers | (1,520,518) | (1,442,924) |
| Payments to employees | <u>(3,085,755)</u> | <u>(2,961,934)</u> |
| Net Cash Used In Operating Activities | <u>(3,813,801)</u> | <u>(3,567,745)</u> |
| Cash Flows From Noncapital Financing Activities | | |
| Operating grants and subsidies | <u>4,729,418</u> | <u>3,741,348</u> |
| Cash Flows From Capital and Related Financing Activities | | |
| Purchases of property and equipment | (894,675) | (731,303) |
| Proceeds from sale of equipment | 3,353 | 5,805 |
| Capital grants | <u>754,571</u> | <u>524,735</u> |
| Net Cash Used in Capital and Related Financing Activities | <u>(136,751)</u> | <u>(200,763)</u> |
| Cash Flows From Investing Activities | | |
| Interest | <u>5,027</u> | <u>4,925</u> |
| Change in Cash and Cash Equivalents | 783,893 | (22,235) |
| Cash and Cash Equivalents at Beginning of Year | <u>1,979,409</u> | <u>2,001,644</u> |
| Cash and Cash Equivalents at End of Year | <u><u>\$ 2,763,302</u></u> | <u><u>\$ 1,979,409</u></u> |
| Reconciliation of Operating Loss to Net Cash Used In Operating Activities: | | |
| Operating loss | \$ (4,637,904) | \$ (4,552,362) |
| Adjustments to reconcile operating loss to net cash used in operating activities | | |
| Depreciation | 776,001 | 870,787 |
| Gain on sale of equipment | (3,353) | (4,238) |
| Changes in: | | |
| Receivables | (41,350) | 36,794 |
| Prepaid expenses | (4,971) | (9,236) |
| Inventories | 34,707 | (20,536) |
| Accounts payable and accrued liabilities | <u>63,069</u> | <u>111,046</u> |
| Net Cash Used in Operating Activities | <u><u>\$ (3,813,801)</u></u> | <u><u>\$ (3,567,745)</u></u> |

Metropolitan Transit Authority Of Black Hawk County

Notes to 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.

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 GAAP 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 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 \$2,000 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 |

Property and equipment acquired with federal, state and local grants are also included in capital assets. Depreciation on these assets is also included in the statement of revenues, expenses and changes in net position.

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.

Metropolitan Transit Authority Of Black Hawk County

Notes to Financial Statements

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

CAPITAL CONTRIBUTIONS

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

COMPENSATED ABSENCES

Accumulated unpaid vacation, sick pay and casual days are accrued when incurred. As of June 30, 2014 and 2013, the Authority had accrued \$110,376 and \$111,916, respectively, for unpaid vacation, sick pay and casual days.

BOARD DESIGNATED NET POSITION

\$1,260,000 and \$133,000 of the Authority's unrestricted net position 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.

IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

Governmental Accounting Standards Board (GASB) No. 63

In June 2011, the GASB issued Statement No. 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which established guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position. The new standard was effective for periods beginning after December 15, 2011. The Authority implemented the provisions of Statement No. 63 in fiscal year 2013. The implementation of this statement did not have a material impact on the Authority's financial statements.

Metropolitan Transit Authority Of Black Hawk County
Notes to Financial Statements

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

IMPLEMENTATION OF NEW ACCOUNTING STANDARDS (Cont'd.)

Governmental Accounting Standards Board (GASB) Nos. 68 and 71

In June 2012, the GASB issued Statement No. 68 – *Accounting and Financial Reporting for Pensions*. GASB Statement No. 68 revises and establishes new accounting and financial reporting requirements for most governments that provide their employees with pension benefits. In November 2013, the GASB issued Statement No. 71 – *Pension Transition Contributions Made Subsequent to the Measurement Date*. GASB Statement No. 71 amends paragraph 137 of GASB Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The requirements of these statements will improve the decision-usefulness of information in employer financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. The Authority will implement the provisions of Statements No. 68 and 71 in fiscal year 2015.

SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 29, 2015, the date which the financial statements were available for issue.

Metropolitan Transit Authority Of Black Hawk County
Notes to Financial Statements

NOTE 2 - CAPITAL ASSETS:

The following summarizes the Authority's capital assets and changes for the years ended June 30, 2014 and 2013.

| | Balance June 30, 2013 | Additions | Dispositions | Balance June 30, 2014 |
|----------------------------|--------------------------|---------------------|-----------------|--------------------------|
| Cost: | | | | |
| Buildings and improvements | \$ 2,913,536 | \$ 71,497 | \$ - | \$ 2,985,033 |
| Equipment | 1,203,959 | 68,606 | 28,548 | 1,244,017 |
| Furniture and fixtures | 56,561 | - | - | 56,561 |
| Rolling stock | <u>7,269,904</u> | <u>754,572</u> | <u>-</u> | <u>8,024,476</u> |
| | <u>11,443,960</u> | <u>894,675</u> | <u>28,548</u> | <u>12,310,087</u> |
| Accumulated depreciation: | | | | |
| Buildings and improvements | 1,881,757 | 77,398 | - | 1,959,155 |
| Equipment | 859,575 | 95,189 | 28,548 | 926,216 |
| Furniture and fixtures | 53,790 | 1,702 | - | 55,492 |
| Rolling stock | <u>3,439,018</u> | <u>601,712</u> | <u>-</u> | <u>4,040,730</u> |
| | <u>6,234,140</u> | <u>776,001</u> | <u>28,548</u> | <u>6,981,593</u> |
| Total Capital Assets, net | <u>\$ 5,209,820</u> | <u>\$ 118,674</u> | <u>\$ -</u> | <u>\$ 5,328,494</u> |
| | Balance June 30, 2012 | Additions | Dispositions | Balance June 30, 2013 |
| Cost: | | | | |
| Buildings and improvements | \$ 2,883,252 | \$ 30,284 | \$ - | \$ 2,913,536 |
| Equipment | 1,184,777 | 80,362 | 61,180 | 1,203,959 |
| Furniture and fixtures | 56,561 | - | - | 56,561 |
| Rolling stock | <u>7,414,832</u> | <u>620,657</u> | <u>765,585</u> | <u>7,269,904</u> |
| | <u>11,539,422</u> | <u>731,303</u> | <u>826,765</u> | <u>11,433,960</u> |
| Accumulated depreciation: | | | | |
| Buildings and improvements | 1,806,474 | 75,283 | - | 1,881,757 |
| Equipment | 852,340 | 68,415 | 61,180 | 859,575 |
| Furniture and fixtures | 51,054 | 2,736 | - | 53,790 |
| Rolling stock | <u>3,478,683</u> | <u>724,353</u> | <u>764,018</u> | <u>3,439,018</u> |
| | <u>6,188,551</u> | <u>870,787</u> | <u>825,198</u> | <u>6,234,140</u> |
| Total Capital Assets, net | <u>\$ 5,350,871</u> | <u>\$ (139,484)</u> | <u>\$ 1,567</u> | <u>\$ 5,209,820</u> |

Metropolitan Transit Authority Of Black Hawk County

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

Plan members are required to contribute 5.95% (5.78% as of June 30, 2013) of their annual covered salary and the Authority is required to contribute 8.93% (8.67% as of June 30, 2013) of annual covered payroll. Contribution requirements are established by State statute. The Authority's required contributions to IPERS for the years ended June 30, 2014 and 2013, were \$185,502 and \$172,164, respectively.

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, 2014 and 2013, contributions under the plan were \$35,000 and \$24,355, respectively. The plan does not issue a stand-alone financial report.

Metropolitan Transit Authority Of Black Hawk County

Notes to Financial Statements

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

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, 2014, the amount actually contributed to the plan and changes in the Authority’s net OPEB obligation:

| | |
|--|-------------------|
| Annual required contribution | \$ 135,000 |
| Interest on net OPEB obligation | 20,000 |
| Adjustment to annual required contribution | <u>(21,000)</u> |
| Annual OPEB cost | 134,000 |
| Contributions made | <u>(35,000)</u> |
| Increase in net OPEB obligation | 99,000 |
| Net OPEB obligation beginning of year | <u>442,000</u> |
| Net OPEB obligation end of year | <u>\$ 541,000</u> |

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, 2014 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, 2012 | \$ 116,000 | 23.28% | \$ 337,355 |
| June 30, 2013 | \$ 129,000 | 18.60% | \$ 442,000 |
| June 30, 2014 | \$ 134,000 | 26.12% | \$ 541,000 |

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 \$2,080,501 and the ratio of the UAAL to covered payroll was 52%. As of June 30, 2014, there were no trust fund assets.

Metropolitan Transit Authority Of Black Hawk County

Notes to Financial Statements

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

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.

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.

Metropolitan Transit Authority Of Black Hawk County

Notes to Financial Statements

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, 2014, the Authority had commitments of approximately \$560,000 for acquisition of rolling stock, which will be received in fiscal year 2015.

NOTE 8 - RECLASSIFICATIONS:

Certain reclassifications have been made to the 2013 financial statements, as previously reported, in order to conform them to the current year's presentation.

Metropolitan Transit Authority of Black Hawk County

Required Supplementary Information

June 30, 2014

Schedule of Funding Progress
Other Postemployment Benefits

| Fiscal Year Ended | Actuarial Valuation Date | Actuarial Value of Net Position (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 |
|-------------------|--------------------------|-------------------------------------|---------------------------------------|---|--------------------|---------------------|---|
| 6/30/11 | 7/1/09 | \$ - | \$ 1,511,000 | \$ 1,511,000 | - % | \$ 1,925,285 | 77.21% |
| 6/30/12 | 7/1/11 | \$ - | \$ 1,089,000 | \$ 1,089,000 | - % | \$ 2,014,946 | 54.05% |
| 6/30/13 | 7/1/11 | \$ - | \$ 1,089,000 | \$ 1,089,000 | - % | \$ 2,050,472 | 53.11% |
| 6/30/14 | 7/1/11 | \$ - | \$ 1,089,000 | \$ 1,089,000 | - % | \$ 2,080,501 | 52.34% |

See Note 4 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funding status and funding progress.