

ROCK ISLAND COUNTY METROPOLITAN
MASS TRANSIT DISTRICT

Moline, Illinois

**Financial Statements
and Supplementary Information**

For the Years Ended

November 30, 2017 and 2016

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ILLINOIS DEPARTMENT OF TRANSPORTATION

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Rock Island County Metropolitan Mass Transit District
Moline, Illinois

Report on Financial Statements

We have audited the accompanying financial statements of the Rock Island County Metropolitan Mass Transit District (the District) as of and for the years ended November 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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 audits to obtain reasonable assurance about whether the financial statements are free from 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 respective financial position of the District as of November 30, 2017 and 2016, and the changes in its financial position and its cash flows for the years then ended, in accordance 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 on pages 4 through 14 and the information in Schedules 1 through 5 on pages 45 to 51 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.

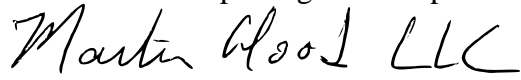
Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The accompanying Schedules 6 through 10 are presented for the purpose of additional analysis. The accompanying Schedules 11 through 13 are presented for purposes of additional analysis as required by the Illinois Department of Transportation. The accompanying Schedules 14 through 16, including the Schedule of Expenditures of Federal Awards, are presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The information included in Schedules 6 through 16 is not a required part of the basic financial statements.

The schedules are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information, including the information in the Schedule of Expenditures of Federal Awards, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2018, on our consideration of the District'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 solely 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 effectiveness of the District's 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 the District's internal control over financial reporting and compliance.


Champaign, Illinois
February 28, 2018

ROCK ISLAND COUNTY METROPOLITAN MASS TRANSIT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Years Ended November 30, 2017 and 2016

Rock Island County Metropolitan Mass Transit District (the District)

The Rock Island County Metropolitan Mass Transit District was created in November of 1970 for the purpose of putting new life and new sources of funds into the transit system. In December 1970, by a 63% majority vote, the then four (4) participating cities (East Moline, Moline, Rock Island and Silvis) voted and approved the creation of a municipal corporation and gave the District power to levy taxes. In September 1971, a petition made the Village of Milan a part of the District. In 1992, by resolution of the Board, the Villages of Carbon Cliff and Green Rock (which later merged w/Colona) were added to the District. Also, by Board resolution, the Village of Hampton was added in 1993.

The District is a municipal corporation under the statutes of the State of Illinois. The District is comprised of the municipalities of Carbon Cliff, East Moline, Colona, Hampton, Milan, Moline, Rock Island, and Silvis. Funding is provided for the District by the Federal and State governments, Rock Island and Henry County property taxes, and passenger revenue. The District is governed by a five-member Board of Trustees appointed for four-year terms by the mayors of the following cities: East Moline, Milan, Moline, Rock Island and Silvis.

In 1983, the Quad City Transit Facility was built in Rock Island, Illinois. This facility accommodated both the District and Davenport CitiBus vehicles. A third entity, the Quad City Garage Policy Group, operated at the facility as well. This group maintained the vehicles for both fleets.

A public contest was held to rename the transit system in 1988. The purpose was to not only to replace the acronym RICMMTD but more so to increase name recognition. MetroLINK was the name chosen in the contest and has become the District's branded name.

The Community Transportation Center (Centre Station) was completed in May of 1998. Centre Station features a full-service gift shop, the Moline/East Moline Public Safety Communication center, and houses the District's Safety and Security Department, including two full time Rock Island County Sherriff's Deputies.

The East Pointe Passenger and Bus Transfer Terminal opened for operations in December 2005. It is fully ADA-compliant and features a passenger lobby, restroom facilities, and real time passenger information regarding bus arrivals and departures. East Pointe also houses the District's modern, technologically advanced Training Center and Conference Room and the office of the District Training Officer.

District Station in downtown Rock Island is the District's latest signature transit station. The station opened in January of 2014, and features a two-thousand square foot passenger waiting area with restrooms, an informational kiosk, and real-time bus information. Ten individual bus

bays surround the station, with each bus bay displaying real time transit information to riders. The project is part of a larger development which includes market rate housing, retail, and bikeway improvements.

In April of 2014, the District completed construction on the Operations & Maintenance Center (OMC) in Rock Island. Davenport's fleet was moved to its public works facility while the District's fleet was moved to the new facility, and the Quad City Transit Facility was prepared to be sold. The OMC is approximately 154,000 square feet in size, and contains a new center of operations, a bus servicing and fueling area, the Information Technology department, and storage space for the entire fleet and support vehicles. It also serves as a new base of operations for the Quad City Garage Policy Group, which will continue to maintain the District's fleet. The Quad City Transit Facility was sold in 2015.

With a current active fleet of 64 transit buses (10 diesel and 54 compressed natural gas), 8 paratransit vans for STS services, 14 accessible vans used for ADA services, and an average work force of 125 employees, the District operates an extensive system of bus routes that serve the Illinois Quad Cities seven days a week. This seamless transportation network serves the major residential, retail and commercial corridors throughout the Illinois Quad Cities and is regionally linked to transfer passengers to the Iowa Quad Cities transit systems.

In addition to an extensive fixed route system, other specialty transportation options are offered year-round. The District is a ticket agent for Burlington Trailways and Centre Station serves as one of their hubs. Special Transportation Services (STS) provide transportation for the ARC of the Quad Cities, for kidney dialysis patients and paratransit/public-aid service to supplement Sunday Metropolitan Bus Service. Para-Transit Service (PTS) is available to individuals unable to use the fixed route service and provides "curb to curb" service for eligible riders. Both services are contracted from Coordinated Transportation Development.

Seasonally, the Channel Cat Water Taxi service allows passengers to see the Quad Cities from a different point of view. Three passenger ferryboats equipped with bicycle racks and wheelchair accessibility make hourly stops at four docks (two on the Illinois side and two on the Iowa side) along the "Mighty Mississippi" allowing thousands to enjoy a link to the Quad City River front walking and biking trails.

Since 2013, the District has had an Intergovernmental Agreement with the City of Bettendorf to provide administrative and operational assistance to its municipally-operated transit system. Services include customer call center support, dispatching, oversight during vehicle pull-out and pull-in times, grant management, federal and state reporting, and various other duties. The District also contracts with the City of Davenport to provide customer service support to their ridership via an Intergovernmental Agreement initiated in December of 2016.

About the Financial Statements of the District

The financial statements of the District are presented on a proprietary fund basis. Accounting principles used are similar to principles applicable in the private sector. The District's basic financial statements consist of a Statement of Net Position, the Statement of Revenue, Expenses and Changes in Net Position, and the Statement of Cash Flows. These statements are the

measures used to evaluate the short-term and long-term outlook of the District's finances and are used in conjunction with the Annual Budget and Appropriations Ordinance, which is the District's financial plan for the fiscal year.

Statement of Net Position

The Statement of Net Position presents the assets and liabilities of the District similar to the private sector on an accrual basis. Revenues and expenses are recognized when incurred rather than when cash is paid or received. The difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources as reflected on the Statement of Net Position represents the financial position of the District or the Net Position.

A comparative analysis of the District's Net Position is presented below (Table 1):

Table 1
Net Position (000's)

	FY17	FY16	FY15
Current and Other Assets	\$13,409	\$15,111	\$11,499
Capital Assets	75,599	69,495	61,894
Total Assets	89,009	84,606	73,393
Deferred Outflows of Resources	2,843	3,402	2,082
Current and Other Liabilities	4,106	6,159	3,538
Noncurrent liabilities	3,235	7,665	2,039
Total liabilities	7,341	13,824	5,577
Deferred Inflows of Resources	4,442	4,307	3,849
Net Position:			
District			
Net Invested in Capital Assets	75,599	64,308	61,083
Restricted for:			
Insurance	1,625	1,543	1,564
Employee Benefits	1,090	840	631
Other Tax Levies	9	7	3
Unrestricted	2,029	3,477	3,096
Total District Net Position	80,352	70,175	66,377
Noncontrolling Interest in Net Position of Blended Component Unit	-284	-298	-328
Total Net Position	\$80,068	\$69,877	\$66,049

FY17 Net Position Analysis

For the year ended November 30, 2017, the District's Net Position increased by 14.51% (\$80,352 thousand compared to \$70,175 thousand). The increase of \$10,177 thousand in total Net Position is illustrated in the Changes in Net Position schedule below (Table 2), which is taken from the Statement of Revenue, Expenses, and Changes in Net Position in the District's financial statements.

FY16 Net Position Analysis

For the year ended November 30, 2016, the District's Net Position increased by 5.7% (\$70,175 thousand compared to \$66,377 thousand). The increase of \$3,798 in total Net Position is illustrated in the Changes in Net Position schedule below (Table 2), which is taken from the Statement of Revenue, Expenses, and Changes in Net Position in the District's financial statements.

Table 2
Changes in Net Position (000's)

	FY17	FY16	FY15
Operating Revenues			
Passenger Fares	\$1,230	\$1,262	\$1,257
Other Transportation Revenue	233	256	261
Other	310	223	272
Total Operating Revenue	1,773	1,741	1,790
Operating Expenses Before Depreciation	18,047	18,997	17,822
Depreciation	3,726	2,921	2,960
Deficit from Operations	-20,000	-20,177	-18,992
Non-Operating Revenues (Expenses)			
Property Taxes	3,780	3,725	3,610
Investment	2	2	3
State/Federal Operating Assistance	16,249	14,548	12,954
Other	-95	249	-511
Total Non-Operating Revenue (Expense)	19,936	18,524	16,056
Net Income (Loss) Before Capital Contributions	-64	-1,652	-2,936
Capital Contributions	10,255	5,480	3,090
Net Increase (Decrease) in Net Position	10,191	3,827	154
Less: Noncontrolling Interest of Blended Component Unit Net Increase (Decrease) in Net Position	14	29	24
District Net Increase (Decrease) in Net Position	10,177	3,798	130
District Net Position – Beginning of Year	70,175	66,377	66,247
District Net Position – End of Year	\$80,352	\$70,175	\$66,377

FY17 Change in Net Position Analysis

For the year ended November 30, 2017, the District's Operating Revenue increased by 1.8% (\$32 thousand). Fare Revenue remained steady with no significant change.

Operating Expenses before Depreciation decreased 5% (\$950 thousand) in FY17 from FY16. The significant expense category variances were as follows: Labor & Fringe Benefits decreased 6% (\$754 thousand) primarily due to the decreased pension expense under Government Accounting Standards Board Statement (GASB) 68, which was implemented in 2015. This year, pension expense increased by \$23 thousand over the cash basis amounts paid compared to \$965 thousand in 2016; Professional Services decreased 3.7% (\$90 thousand) because of a 95% (\$66 thousand) decrease in temporary help, Insurance decreased 7.7% (\$44 thousand) due to an increased amount collected as reimbursement for property damage; Lease Expense decreased 9.4% (\$24 thousand) due to the end of a bus lease associated with the Bettendorf routes. The increases in expense categories from the prior year were insignificant.

Total Non-Operating Revenues increased by 7.6% (\$1,412 thousand). The primary reason for this increase was that the State Operating Assistance increased 19.6% (\$2,394 thousand) from the prior year. Operating assistance increased due to the District's repayment of a capital loan for the purchase of fixed-route buses initiated in November 2016. The principal repayment in June 2017 was approximately \$4.3 million, of which 65% was eligible for state operating assistance reimbursement. The additional eligible principal was offset by decreased overall eligible expenses. Additionally, Federal Preventive Maintenance was decreased 29.8% (\$693 thousand) due to less funds drawn down to mitigate cash flow issues. Interest expense increased 424% (\$69 thousand) due to the financing costs of the bus loan mentioned earlier, and Warranty Income decreased from the prior year by 98% (\$339 thousand) due to an amount recovered in the prior year from a manufacturer defect in a bus.

The state operating assistance cycle is based on the State of Illinois fiscal cycle (July 01 to June 30). The formula used to calculate the state operating assistance is 65% of eligible expenses subject to a maximum contract amount. The appropriation has been increasing at 10% annually. The contract amount is awarded annually upon approval of the state operating assistance application.

FY16 Change in Net Position Analysis

For the year ended November 30, 2016, the District's Operating Revenue decreased by 2.7% (\$49 thousand). Fare Revenue remained steady with no significant change.

Operating Expenses before Depreciation increased 7% (\$1,175 thousand) in FY16 from FY15. The significant expense category increases were as follows: Labor & Fringe Benefits increased 12% (\$1,381 thousand) primarily due to the increased pension expense under Government Accounting Standards Board Statement (GASB) 68, which was implemented in 2015 and this year increased pension expense by \$965 thousand; Insurance increased 7% (\$295 thousand) due to an increase in the loss fund allocation; Purchased Transportation increased 9% (\$80 thousand) due to an increase in the ferryboat operator contract. The increases were offset by the following significant decreases: Professional Services decreased 12% (\$322 thousand), partially due to a onetime correction in the prior year of the FY11 state operating grant revenue, which was

included as a professional service expense to segregate it from the FY15 revenue. Materials and Supplies decreased 13% (\$231 thousand) primarily due to a decrease in fuel prices; Utilities decreased 13% (\$55 thousand) primarily due to the sale of the former operations and maintenance garage in late FY15.

Total Non-Operating Revenues increased by 25% (\$4,858 thousand). The two significant reasons for this increase were that the State/Federal Operating Assistance increased 12% (\$1,594 thousand) and State/Federal Capital Assistance increased 77% (\$2,390 thousand) from the prior year. Operating assistance increased due to the District’s drawdown of additional federal preventive maintenance grant funds in order to mitigate cash flow issues created by late receipt of quarterly payments from IDOT. Capital assistance increased due to the completion of the Southpark Mall mega stop and the new ferryboat dock, and ongoing construction of the Multi-modal Facility. Other Non-Operating Revenues increased 149% (\$760 thousand). This line reflects the net effect of unusual items. In FY15, a bus was lost due to fire, the prior maintenance facility was disposed of, and an energy grant was received subsequent to the construction of the new maintenance facility. For FY16, the District received warranty revenue for the bus lost during the prior year.

The state operating assistance cycle is based on the State of Illinois fiscal cycle (July 01 to June 30). The formula used to calculate the state operating assistance is 65% of eligible expenses subject to a maximum contract amount. The appropriation has been increasing at 10% annually. The contract amount is awarded annually upon approval of the state operating assistance application.

Budgetary Highlights

A comparative analysis of the District’s actual results compared to budget (excluding the insurance sub-fund) is presented below (Table 3):

**Table 3
Annual Budget and Appropriation
(000’s)**

	Budget	Actual
Passenger Fares	\$1,256	\$1,230
Other Transportation Revenue	262	233
Other Operating Revenue	196	289
Total Operating Revenue	1,714	1,752
Wages	7,358	7,175
Fringes	4,933	4,560
Fuel	895	351
Materials & Supplies	1,277	1,226
Utilities	394	372
Casualty/Liability and Losses	601	517
Purchased Transportation	1,059	995
Leases	249	230
Miscellaneous	3,111	2,619

Total Operating Expenses without Depreciation	19,877	18,045
Depreciation	3,264	3,726
Investment Income	0	2
Interest Expense	-168	-86
Property Taxes	3,736	3,779
Equity in QCGPG	0	20
Government Grants & Assistance	14,641	16,249
Amortization of Loss on Refunding	0	-3
Gain(Loss) on Disposal of Assets	0	-12
Warranty Income	0	7
Total Non-Operating Revenue	18,209	19,956
Net Income(Loss) Before Capital Contributions	-\$3,218	-\$63

Budgetary Analysis

The District's actual resources available for appropriations for the year, excluding capital contributions, were 9% (\$1,785 thousand) more than budgeted. Total Operating Revenue was 2.2% (\$38 thousand) higher than budgeted and Operating Expenses before Depreciation were 9.2% (\$1,832 thousand) less than budgeted, primarily due to lower fuel and services cost. Non-operating Revenue was 9.6% (\$1,747 thousand) higher than budgeted, mostly due to additional grant funds and assistance associated with the repayment of the capital loan.

The overall effect was that the District's net income/loss continued to be positive in relation to the budget.

Capital Assets

Table 4
Capital Assets at Year-end
(In 000s)

	FY17	FY16	FY15
Land	\$ 969	\$ 969	\$ 969
Intangible Assets	315	315	315
Buses Low Floor	0	1,559	2,970
STS/PTS Buses & Vans	1,688	1,618	1,335
Buses - 15 passenger	0	97	97
Buses – CNG	0	21,573	15,888
Buses - 2003 New Flyers	0	2,164	2,164
Large Buses/Fixed Route	23,545	0	0
Spare Parts	0	1	1
Channel Cat Boats	568	568	568
Automobiles	393	205	227
Tram	70	70	70
Passenger Amenities / Shelters	4,106	3,882	1,269
Radios	81	81	81
Camera Equipment	1,026	1,016	1,016
Fare Boxes	352	352	352
Computer Equipment	756	756	719
AVLS System	2,993	2,747	2,277
CNG Fueling Station	3,215	3,215	3,200
Access Control System	92	92	142
Office Equipment	280	280	280
Buildings	39,334	39,334	39,226
Shop Equipment	121	111	111
Service Truck	0	79	79
Parts Truck	0	11	11
STS Building	404	404	332
Community Transit Centre (CTC)	8,474	8,474	8,479
EM Transfer Facility	2,284	2,284	2,302
Web Site	74	74	104
Rights of way/Improvements	161	161	96
CIP – Multi-modal Facility	14,379	5,349	3,164
CIP – Southpark Mall Shelter	0	0	1,024
CIP – Ferryboat Terminal	0	0	104
QCGPG – Garage Equipment	0	0	107
QCGPG – Office Furn. & Equipment	0	0	70
	105,679	97,841	89,149
Accumulated Depreciation - District	-30,080	-28,346	-27,083
Accumulated Depreciation - QCGPG	0	0	-172
Capital Assets - Net	\$ 75,599	\$ 69,495	\$ 61,894

FY17 Capital Assets - Analysis

A comparative analysis of the changes in the District's capital assets for the year ended November 30, 2017 is presented in Table 4. Total capital assets increased by 8% (\$7,838 thousand). The capital investments were as follows: five paratransit vehicles, fourteen shelters with associated signage, updates to the AVLS system, as well as continuing construction of the Multi-modal Facility. Accumulated depreciation increased 6% (\$1,734 thousand), which was the accumulated effect of normal depreciation, disposals of approximately \$2,000,000, and an adjustment to the useful lives of about forty shelters to more closely reflect the guidelines of the Federal Transit Administration.

The combined effect of the increase in total capital assets and increase in accumulated depreciation resulted in an increase in Net Property, Plant, & Equipment for FY17 of 8.8% (\$6,104 thousand). Additional information on the District's capital assets can be found in Note 6 of this report.

FY16 Capital Assets - Analysis

A comparative analysis of the changes in the District's capital assets for the year ended November 30, 2016 is presented in Table 4. Total capital assets increased by 10% (\$8,692 thousand). The capital investments were as follows: twelve CNG buses, the Southpark Mall mega stop, Channel Cat ferryboat dock, six vehicles for paratransit and specialized transportation services, upgrade of the AVLS system, additional lighting at the Operations & Maintenance Center, as well as continuing construction of the Multi-modal Facility. Accumulated depreciation increased 4% (\$1,091 thousand) even though depreciation remained relatively flat at about \$2,921 thousand. This was due to disposals of approximately \$2,087 thousand. The combined effect of the increase in total capital assets and increase in accumulated depreciation resulted in an increase in Net Property, Plant, & Equipment for FY16 of 12% (\$7,601 thousand). Additional information on the District's capital assets can be found in Note 6 of this report.

Debt Management

Table 5
Long-Term Debt at Year-end
(In 000s)

	FY17	FY16	FY15
Notes Payable	\$ -	\$ 5,191	\$ 1,164
Net Pension Liability	2,988	3,506	1,662
OPEB Obligation	44	39	33
Accrued Sick Leave	203	201	200
Total	<u>\$ 3,235</u>	<u>\$ 8,937</u>	<u>\$ 3,059</u>

Debt Management – FY17 Debt Analysis

The District's total outstanding debt as of November 30, 2017, decreased 64% (\$5,702 thousand) from November 30, 2016. This was primarily due to the repayment of a loan initiated in FY16 to purchase twelve CNG buses and Government Accounting Standards Board Statement 68 adjustments to net pension liability.

Debt Management – FY16 Debt Analysis

The District's total outstanding debt as of November 30, 2016, increased 192% (\$5,878 thousand) from November 30, 2015. This was primarily due to the purchase of twelve CNG buses and Government Accounting Standards Board Statement 68 adjustments to net pension liability.

Economic Trends

For the year ending November 30, 2018, the District expects an increase in its property tax revenue of approximately 5% (\$183 thousand). The Illinois Municipal Retirement Fund rate is expected to decrease from 10.98% in 2017 to 9.91% for 2018. The District will continue to optimize the fuel performance of the fleet through mixed use of CNG and diesel-powered buses, and will also be adding three electric buses to the fleet in March 2018. The State Operating Appropriation for FY18 (July 2017 to June 2018) increased 10% from FY17. Management continues to monitor the Illinois state budget proposals that could impact transit funding in future periods, to communicate with the governor and legislators, and to continually update plans as changes occur. The District will also continue its work on the Multi-Modal Facility (known locally as the train station) project, as remaining elements include a platform with canopy and a pedestrian skywalk. Projects expected to be substantially completed in FY18 are the delivery of three electric buses and associated charging equipment, the delivery of seven additional CNG buses (expected Fall 2018), an upgrade of the bus video surveillance system, along with continuing to upgrade passenger shelters and update technology capabilities wherever practical. Future projects include a new bus fare collection system. As the District continues to identify and implement service that is tailored to fit the needs of the community, ridership is expected to increase slightly in the next fiscal year.

Contacting the District's Management

The financial reports of the District provide an overview for the public of the financial accountability the District maintains for the resources received. Further questions concerning this report should be directed to the Director of Finance, Rock Island County Metropolitan Mass Transit District (the District), 1515 River Drive, Moline, Illinois 61265.

ROCK ISLAND COUNTY METROPOLITAN MASS TRANSIT DISTRICT
Statements of Net Position
November 30, 2017 and 2016

	2017	2016
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 1,209,725	\$ 55,655
Restricted Assets		
Cash and Cash Equivalents for Insurance and Employee Benefits	2,622,778	141,173
Property Taxes Receivable	101,201	105,242
Due from Operating Fund	-	2,142,799
Receivables		
Property Taxes Receivable	3,739,295	3,557,428
Accounts Receivable, Net of Allowance	133,540	117,929
Federal and State Grants Receivable	957,873	1,770,596
Due from Other Governments	2,645,351	6,261,977
Prepaid Expenses	475,034	410,161
Inventory	573,282	547,037
Total Current Assets	12,458,079	15,109,997
Noncurrent Assets:		
Cash and Cash Equivalents - Designated Funds	951,458	817
Capital Assets		
Not Being Depreciated	15,662,339	6,632,860
Being Depreciated		
Property and Equipment	90,016,594	91,208,241
Accumulated Depreciation	(30,080,301)	(28,345,798)
Total Noncurrent Assets	76,550,090	69,496,120
Total Assets	89,008,169	84,606,117
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charge on Refunding	-	3,468
Pension Related Deferred Outflows	2,843,090	3,398,594
Total Deferred Outflows of Resources	2,843,090	3,402,062

See Accompanying Notes

ROCK ISLAND COUNTY METROPOLITAN MASS TRANSIT DISTRICT
Statements of Net Position
November 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	1,265,736	1,339,836
Accrued Payroll and Payroll Taxes	345,626	356,745
Accrued Leave	184,443	190,206
Accrued Interest	-	281
Due to Restricted Funds	-	2,142,799
Due to Other Governments	2,283,187	831,372
Unearned Other Revenue	27,333	25,707
Notes Payable	-	1,272,175
Total Current Liabilities	<u>4,106,325</u>	<u>6,159,121</u>
Noncurrent Liabilities:		
Accrued Leave - Net of Current	202,658	200,785
Notes Payable - Net of Current	-	3,919,196
Net Pension Liability	2,987,654	3,506,043
Other Post-Employment Benefits Obligation	44,560	38,850
Total Noncurrent Liabilities	<u>3,234,872</u>	<u>7,664,874</u>
Total Liabilities	<u>7,341,197</u>	<u>13,823,995</u>
DEFERRED INFLOWS OF RESOURCES		
Unearned Property Taxes	3,707,119	3,524,688
Pension Related Deferred Inflows	735,234	782,750
Total Deferred Inflows of Resources	<u>4,442,353</u>	<u>4,307,438</u>
NET POSITION		
District		
Net Investment in Capital Assets	75,598,632	64,308,215
Restricted:		
Tax Levy Restrictions:		
Liability Insurance	1,625,408	1,542,718
Employee Benefits	1,089,533	839,589
Other Tax Levy Restrictions	9,038	6,906
Unrestricted	2,029,173	3,477,556
Total District Net Position	<u>80,351,784</u>	<u>70,174,984</u>
Noncontrolling Interest in Net Position of Blended Component Unit	<u>(284,075)</u>	<u>(298,238)</u>
Total Net Position	<u>\$ 80,067,709</u>	<u>\$ 69,876,746</u>

See Accompanying Notes

ROCK ISLAND COUNTY METROPOLITAN MASS TRANSIT DISTRICT
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended November 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating Revenue		
Passenger Fares	\$ 1,229,933	\$ 1,261,890
Other Transportation Revenue	232,816	255,885
Other Operating Revenue	<u>310,748</u>	<u>223,300</u>
Total Operating Revenue	<u>1,773,497</u>	<u>1,741,075</u>
Operating Expenses		
Labor and Benefits	11,729,651	12,483,345
Professional Services	2,359,933	2,449,902
Materials and Supplies	1,573,423	1,570,709
Utilities	371,704	367,391
Insurance	527,531	571,517
Purchased Transportation	995,401	1,017,348
Leases	229,717	253,494
Miscellaneous	260,004	282,435
Depreciation	3,726,413	2,920,888
Bad Debt Expense	-	516
Total Operating Expenses	<u>21,773,777</u>	<u>21,917,545</u>
Operating Income (Loss)	<u>(20,000,280)</u>	<u>(20,176,470)</u>
Non-Operating Revenue (Expenses)		
Investment Income	1,992	1,624
Interest Expense	(85,833)	(16,389)
Amortization of Loss on Refunding	(3,468)	(31,588)
Property Taxes		
Levied	3,576,999	3,534,959
Replacement	186,317	174,458
Payments in Lieu of Taxes	16,245	16,000
Government Grants and Assistance		
State Operating Assistance	14,617,532	12,223,854
Federal Operating Assistance	1,631,753	2,324,337
Gain (Loss) on Disposal of Assets	(12,474)	(49,004)
Warranty Income	<u>7,440</u>	<u>346,000</u>
Total Non-Operating Revenue (Expenses)	<u>19,936,503</u>	<u>18,524,251</u>
Net Income (Loss) Before Capital Contributions	<u>(63,777)</u>	<u>(1,652,219)</u>
Capital Contributions		
State Capital Assistance	2,008,031	1,098,738
Federal Capital Assistance	<u>8,246,709</u>	<u>4,380,898</u>
Total Capital Contributions	<u>10,254,740</u>	<u>5,479,636</u>
Net Increase (Decrease) in Net Position	10,190,963	3,827,417
Less: Noncontrolling Interest of Blended Component		
Unit Net Increase (Decrease) in Net Position	<u>14,163</u>	<u>29,383</u>
District Net Increase (Decrease) in Net Position	10,176,800	3,798,034
District Net Position - Beginning of Year	<u>70,174,984</u>	<u>66,376,950</u>
District Net Position - End of Year	<u>\$ 80,351,784</u>	<u>\$ 70,174,984</u>

See Accompanying Notes

ROCK ISLAND COUNTY METROPOLITAN MASS TRANSIT DISTRICT
Statements of Cash Flows
For the Years Ended November 30, 2017 and 2016

	2017	2016
Cash Flows From Operating Activities		
Cash Received for Passenger Fares	\$ 1,215,754	\$ 1,251,209
Cash Received From Special Transit Services and Advertising Income	232,816	255,885
Rent and Other Receipts	127,754	153,889
Wages Paid to Employees	(8,625,006)	(8,508,995)
Payments to Suppliers for Goods and Services	(9,874,982)	(8,978,692)
Net Cash Provided by (Used in) Operating Activities	(16,923,664)	(15,826,704)
Cash Flows From Non-Capital Financing Activities		
Operating Grant Proceeds		
State of Illinois	20,707,313	8,296,205
Federal Transit Administration	2,416,661	1,901,656
Funds Repaid to the City of Moline	-	(124,760)
Property and Income Taxes Received	3,784,166	3,707,435
Principal Advances on Line of Credit	450,000	710,383
Principal Payments on Line of Credit	(760,383)	(400,000)
Interest Payments on Line of Credit	(3,851)	(652)
Net Cash Provided by (Used in) Non-Capital Financing Activities	26,593,906	14,090,267
Cash Flows From Capital and Related Financing Activities		
Capital Grant Proceeds		
State of Illinois	1,431,944	1,336,343
Federal Transit Administration	8,554,776	4,454,036
Principal Payments on Term Loans	(4,880,988)	(1,019,854)
Interest Payments on Term Loans	(82,263)	(15,456)
Cash Received for Disposals	-	13,463
Cash Received from Other Income	7,440	-
Cash Received for Warranty Claim	-	346,000
Capital Asset Expenditure Due from Moline	(790,282)	-
Purchase and Construction of Capital Assets	(9,326,545)	(5,847,629)
Net Cash Provided by (Used in) Capital and Related Financing Activities	(5,085,918)	(733,097)
Cash Flows From Investing Activities		
Interest Received	1,992	1,624
Net Cash Provided by (Used in) Investing Activities	1,992	1,624
Increase (Decrease) in Cash and Cash Equivalents	4,586,316	(2,467,910)
Cash and Cash Equivalents - Beginning of Year	197,645	2,665,555
Cash and Cash Equivalents - End of Year	\$ 4,783,961	\$ 197,645
Presented on the Statement of Net Position as Follows:		
Cash and Cash Equivalents	\$ 1,209,725	\$ 55,655
Cash and Cash Equivalents for Insurance and Employee Benefits	2,622,778	141,173
Cash and Cash Equivalents - Designated Funds	951,458	817
Cash and Cash Equivalents - End of Year	\$ 4,783,961	\$ 197,645

See Accompanying Notes

ROCK ISLAND COUNTY METROPOLITAN MASS TRANSIT DISTRICT
Statements of Cash Flows
For the Years Ended November 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities		
Operating Income (Loss)	\$ (20,000,280)	\$ (20,176,470)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities		
Depreciation	3,726,413	2,920,888
Changes in Assets and Liabilities:		
Accounts Receivable	(246,669)	184,485
Prepaid Expenses	(64,873)	(17,663)
Inventory	(26,245)	7,706
Pension Related Deferred Outflows	555,504	(1,351,596)
Accounts Payable	(293,936)	294,651
Other Liabilities	1,626	(5,264)
Accrued Wages and Benefits	(9,299)	67,856
Net Pension Liability	(518,389)	1,843,462
Pension Related Deferred Inflows	(47,516)	405,241
Net Adjustments	<u>3,076,616</u>	<u>4,349,766</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ (16,923,664)</u>	<u>\$ (15,826,704)</u>
Noncash Capital and Related Financing Activities		
Capital Assets Donated by Grants	<u>\$ 295,835</u>	<u>\$ -</u>
Capital Assets Acquired through Issuance of Debt	<u>\$ -</u>	<u>\$ 4,737,244</u>

See Accompanying Notes

ROCK ISLAND COUNTY METROPOLITAN MASS TRANSIT DISTRICT
Notes to Basic Financial Statements
November 30, 2017 and 2016

1. Nature of Operations and the Reporting Entity

The Rock Island County Metropolitan Mass Transit District (the District) was incorporated in 1970 and adopted its charter under the provisions of 70 ILCS 3610 of the Illinois Compiled Statutes. The District is governed by a Board of Trustees and provides mass transit services within the boundaries of the District in Rock Island County and a portion of Henry County, Illinois.

The reporting entity of the District was determined based on the oversight responsibility and scope of the public services provided. Oversight responsibility is measured by the extent of financial interdependency, control over the selection of the governing authority and management, ability to significantly influence operations, and accountability for fiscal matters. Quad City Garage Policy Group (the Group) is considered a blended component unit of the District based on the District's voting majority on the Board of the Group and because the Group's operations are fully in support of the District's operations. The Group is responsible for the maintenance of buses used in the transit programs of the District. The Group has a noncontrolling interest equity owner, which is the City of Davenport, Iowa.

The Group's fiscal year is July 1 to June 30, thus the information included in the District's financial statements for the years ended November 30, 2017 and 2016 are from the Group's fiscal years ended June 30, 2017 and 2016. Copies of the separately issued financial statements of the Group are available at the District's office in Moline, Illinois.

There are no other entities for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be materially misstated or incomplete.

2. Summary of Significant Accounting Policies

- a. The financial statements of the District are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments. GAAP includes all relevant GASB pronouncements plus other sources of accounting and financial reporting guidance noted in GASB Statement 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.
- b. For the purposes of preparing the statement of cash flows, the District considers all highly liquid investments with an original maturity of three months or less from the date of purchase to be cash equivalents. Non-negotiable certificates of deposits are recorded at cost.

- c. Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements or enabling legislation related to property taxes.
- d. Designated funds are cash, cash equivalents, or investments set aside for bond payments or capital asset acquisition purposes. Designated funds do not carry external restriction, but are not available to be used for the District's operations.
- e. Receivables from government units are considered to be fully collectible; accordingly, no allowance for doubtful accounts from governmental units is presented. Allowances of \$467 are included for both fiscal years 2017 and 2016, respectively, for general accounts receivable. At November 30, 2017 and 2016, the District had liabilities to the State of Illinois for operating assistance, which are shown as due to other governments.
- f. The District levies property taxes each year, on all taxable real property located within the District, on or before the last Tuesday in December. Property taxes attach as an enforceable lien on property as of January 1 each year and are payable in four installments on June 1, August 1, September 1, and November 1. All unpaid taxes become delinquent on April 1 and October 1 of the following year. The counties of Rock Island and Henry bill and collect the District's property taxes. Since the 2017 property taxes are not due and collectible until June 2018 and are intended to finance the operations of fiscal year 2018, they are not considered earned as of November 30, 2017 and are, therefore, shown as unearned revenue and will be recognized as revenue in fiscal year 2018.
- g. Prepaid expenses, such as for insurance, are deferred and expensed over the term when the services are received.
- h. Inventory consists of concessions held by the District available for purchase by the public at the Center Station Facility and parts inventories held by the Group. Inventories are stated at cost using the first-in, first-out method.
- i. Purchased capital assets are valued at actual or estimated historical cost, while contributed capital assets are valued at their acquisition value at the time of contribution. Assets are capitalized if they are valued at more than \$5,000 and have a useful life of more than one year. Depreciation is calculated on all capital assets, other than land, construction in progress, works of art, and assets that appreciate in value, using the straight-line method with the following useful lives:

	<u>Years</u>
Structure	
Building	50
Remodeling	10
Carpet	5
Vans and Autos	5
Buses	7-15
Office Equipment	5-10
Ferry Boats	15
Bus Accessories and Parts	10-12
Bus Shelters	10-25
Radios	5-10
Shop Equipment	10
Tow Truck	10

- j. The financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The District has two items that qualify for reporting in this category. The items, deferred charge on refunding and pension related deferred outflows, are reported in the Statement of Net Position. The deferred charge on refunding represents the excess of cash paid to the refunding bond escrow agent over the amount of refunding principal payments. The amount is deferred and recognized as an outflow of resources (expense) over the shorter of the remaining life of the refunded debt or the life of the refunding debt. The pension related deferred outflow consists of unrecognized items not yet charged to pension expense and contributions from the District after the measurement date of the net pension liability, December 31, 2016 and 2015, but before the end of the District's reporting periods of November 30, 2017, and 2016, respectively. This item will be included in the net pension liability and pension expense calculation in subsequent fiscal years.

The financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two types of items that qualify for reporting in this category, unearned property taxes and pension related deferred inflows. The unearned property taxes represent future revenue from property taxes. This amount is deferred and recognized as an inflow of resources (revenue) in the period in which the property taxes become earned. The pension-related deferred inflow consists of the unamortized portion of the net difference between projected and actual experience of the total pension liability. This item will be included in the net pension liability and pension expense calculation in subsequent fiscal years.

- k. It is the District's policy to allow employees to accumulate unused compensated sick leave. The District calculates the liability for unused sick leave included in compensated absences using the vesting method. The District considers accrued sick leave to be a noncurrent liability. It is the District's policy to allow employees to accrue sick leave to a maximum of 1,400 hours. Salaried employees hired prior to June 1, 2000, who terminate

employment with the District, are eligible to receive compensation for unused sick leave at termination of employment with the District. Salaried employees hired after May 31, 2000, who terminate employment with the District and are vested with the Illinois Municipal Retirement Fund (IMRF), may have a portion of their unused sick leave benefits credit to their IMRF account towards their length of service. Employees covered in the collective bargaining agreements retiring in accordance with the eligibility provisions of IMRF guidelines or salaried employees retiring in accordance with IMRF's Early Retirement Incentive Program are eligible to credit unused sick leave for additional pension service credits.

Full-time employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the District. Accumulated vacation pay amounts are accrued and recorded as an expense as the benefits are earned by employees. The District considers accrued vacation leave to be a current liability.

1. The District's net position is classified as follows:
 - Net Investment in Capital Assets – This represents the District's capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any debt attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent funds related to that debt at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
 - Restricted Net Position – This includes resources that the District is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties or enabling legislation.
 - Unrestricted Net Position – This includes resources that do not meet the definition of "restricted" or "net investment in capital assets."

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first then unrestricted resources as they are needed.

- m. Operating revenues and expenses generally result from providing services. Operating revenues principally include charges to customers for services. Operating expenses include administrative expenses, costs of services, and depreciation on capital assets. All other revenues are considered non-operating or other revenues and expenses. This includes tax levies, state and federal grants, investment income and interest expense.
- n. Federal and state grants are subject to grantor agency compliance audits. Management believes losses, if any, resulting from those compliance audits are not material to these financial statements.

- o. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. The significant estimates at November 30, 2017 include the valuation of the liability for pensions, the allowable expenses charged to grants, and the useful lives of the capital assets.

3. Deposits and Investments

The District's investment policy permits the District to invest in instruments allowed by Illinois Compiled Statutes (ILCS). Specifically, the District is permitted to invest in interest bearing savings accounts, certificates of deposits, or time deposits, or any other investments constituting direct obligations of any bank as defined by the Illinois Banking Act.

In addition, the District's Board of Trustees has adopted an investment policy which provides further restrictions on the investment of District funds. It is the policy of the District to invest its funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the District and conforming to all state and local statutes governing the investment of public funds, using the "prudent person" standard for managing the overall portfolio. The primary objectives of the policy are safety of capital, liquidity, return on investment, and maintaining public trust.

Cash and cash equivalents consist of the following at November 30:

	2017		2016	
	Bank Balance	Carrying Value	Bank Balance	Carrying Value
<i>Cash</i>				
Checking and Savings	\$ 1,691,937	\$ 1,564,975	\$ 6,226,241	\$ 190,555
Petty Cash	-	1,060	-	1,060
<i>Cash Equivalents</i>				
Money Market	1,917,926	1,917,926	6,030	6,030
Certificate of Deposit	1,300,000	1,300,000	-	-
Total	<u>\$ 4,909,863</u>	<u>\$ 4,783,961</u>	<u>\$ 6,232,271</u>	<u>\$ 197,645</u>

Custodial Credit Risk – Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. At November 30, 2017, \$4,541,068 of the District's \$4,909,863 bank balance, which reconciles to a financial statement balance of \$4,783,961, was exposed to custodial credit risk. The \$4,541,068 was fully collateralized by securities pledged by the financial institution, which are held by a third-party, but not in the name of the District. \$90,799 belonging to the Group was insured fully by federal deposit insurance at June 30, 2017.

4. Due from and Due to Other Governments

The District had the following amounts due from and due to other governments at November 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Due from Other Governments:		
State of Illinois - Department of Transportation		
State Fiscal Year 2017 Operating Grant	\$ 489,352	\$ 5,127,318
State Fiscal Year 2016 Operating Grant	1,020,670	1,020,670
State Fiscal Year 2013 Operating Grant	62,727	62,727
City of Moline, Illinois	790,282	-
Federal Government - Internal Revenue Service	282,320	47,338
City of Davenport, Iowa	-	3,924
	<u> </u>	<u> </u>
Due from Other Governments	<u>\$ 2,645,351</u>	<u>\$ 6,261,977</u>
Due to Other Governments:		
State of Illinois - Department of Transportation		
State Fiscal Year 2018 Operating Grant	\$ 1,451,815	\$ -
State Fiscal Year 2015 Operating Grant	186,420	186,420
State Fiscal Year 2012 Operating Grant	482,645	482,645
State Fiscal Year 2011 Operating Grant	162,307	162,307
	<u> </u>	<u> </u>
Due to Other Governments	<u>\$ 2,283,187</u>	<u>\$ 831,372</u>

5. Blended Component Unit Condensed Financial Information

As discussed in Note 1, the District's financial statements for the years ended November 30, 2017 and 2016 include the Group's financial activity and balances for the Group's fiscal years ended June 30, 2017 and 2016, with applicable eliminations of activity and balances between the District and the Group.

Following is condensed financial information for the Group's fiscal years ended June 30, 2017 and 2016:

Condensed Statements of Net Position

	2017	2016
Assets		
Current Assets	\$ 650,803	\$ 911,484
Deferred Outflows of Resources	356,388	238,817
Liabilities		
Current		
Unearned Revenue from the District	81,061	296,535
Other Current Liabilities	128,610	173,818
Non-Current	909,812	760,265
Total Liabilities	1,119,483	1,230,618
Deferred Inflows of Resources	272,020	337,717
Net Position		
Unrestricted	(384,312)	(418,034)
Total Net Position	\$ (384,312)	\$ (418,034)

Condensed Statements of Revenues, Expenses, and Changes in Net Position

	2017	2016
Operating Revenue		
Revenue from the District	\$ 3,385,088	\$ 3,523,279
Other Operating Revenue	21,318	19,685
Total Operating Revenue	3,406,406	3,542,964
Operating Expenses	3,372,684	3,468,068
Operating Income (Loss)	33,722	74,896
Non-Operating Income (Loss)	-	(4,937)
Net Increase (Decrease) in Net Position	33,722	69,959
Net Position - Beginning of the Year	(418,034)	(487,993)
Net Position - End of the Year	\$ (384,312)	\$ (418,034)

Condensed Statements of Cash Flows

	2017	2016
Net Cash Provided by (Used in)		
Operating Activities	\$ (276,556)	\$ 131,190
Cash and Cash Equivalents - Beginning of Year	330,615	199,425
Cash and Cash Equivalents - End of Year	\$ 54,059	\$ 330,615

Due to the different fiscal years of the District and the Group, the statement of net position balances that require elimination to consolidate the two entities do not agree between the two entities. The net difference at November 30, 2017 was a net unearned revenue from the District of \$88,042 on the statement of net position of the Group. This amount has been netted against the Group's cash and accounts payable balances presented in the consolidated financial statements of the District as operations between the two entities between June 30, 2017 and November 30, 2017 resulted in the Group's cash and unearned revenue from the District decreasing significantly and accounts payable increasing. The net difference at November 30, 2016 was a net unearned revenue from the District of \$274,960 on the statement of net position of the Group. This amount has been netted against the Group's cash balance presented in the consolidated financial statements for November 30, 2016.

6. Capital Assets

Capital asset activity for the year ended November 30, 2017 was as follows:

	November 30, 2016	Additions and Adjustments	Disposals and Adjustments	November 30, 2017
Not Being Depreciated:				
Land	\$ 968,797	\$ -	\$ -	\$ 968,797
Intangible Assets	315,000	-	-	315,000
Construction in Progress	5,349,063	9,029,479	-	14,378,542
Total Not Being Depreciated	<u>6,632,860</u>	<u>9,029,479</u>	<u>-</u>	<u>15,662,339</u>
Being Depreciated:				
Buildings and Improvements	54,539,645	245,564	22,017	54,763,192
Vehicles	27,943,924	26,017,875	27,697,743	26,264,056
Equipment	8,724,672	265,337	663	8,989,346
Total Being Depreciated	<u>91,208,241</u>	<u>26,528,776</u>	<u>27,720,423</u>	<u>90,016,594</u>
Total Cost	<u>97,841,101</u>	<u>35,558,255</u>	<u>27,720,423</u>	<u>105,678,933</u>
Less: Accumulated				
Depreciation				
Buildings and Improvements	7,000,451	1,601,722	19,123	8,583,050
Vehicles	15,958,560	1,658,082	1,972,128	15,644,514
Equipment	5,386,787	466,609	659	5,852,737
Total Accumulated				
Depreciation	<u>28,345,798</u>	<u>3,726,413</u>	<u>1,991,910</u>	<u>30,080,301</u>
Net Capital Assets	<u>\$ 69,495,303</u>	<u>\$ 31,831,842</u>	<u>\$ 25,728,513</u>	<u>\$ 75,598,632</u>

Included in construction in progress at November 30, 2017 and 2016 is \$14,378,547 and \$5,349,063, respectively, related to an asset that will be turned over to the City of Moline, Illinois, at completion, which is projected in fiscal year 2018.

Capital asset activity for the year ended November 30, 2016 was as follows:

	November 30, 2015	Additions and Adjustments	Disposals and Adjustments	November 30, 2016
Not Being Depreciated:				
Land	\$ 968,797	\$ -	\$ -	\$ 968,797
Intangible Assets	315,000	-	-	315,000
Construction in Progress	4,291,735	3,629,546	2,572,218	5,349,063
Total Not Being Depreciated	<u>5,575,532</u>	<u>3,629,546</u>	<u>2,572,218</u>	<u>6,632,860</u>
Being Depreciated:				
Buildings and Improvements	51,704,821	2,896,770	61,946	54,539,645
Vehicles	23,409,130	6,057,693	1,522,899	27,943,924
Equipment	8,459,281	573,083	307,692	8,724,672
Total Being Depreciated	<u>83,573,232</u>	<u>9,527,546</u>	<u>1,892,537</u>	<u>91,208,241</u>
Total Cost	<u>89,148,764</u>	<u>13,157,092</u>	<u>4,464,755</u>	<u>97,841,101</u>
Less: Accumulated				
Depreciation				
Buildings and Improvements	5,622,168	1,423,324	45,041	7,000,451
Vehicles	16,399,288	1,071,500	1,512,228	15,958,560
Equipment	5,233,523	426,064	272,800	5,386,787
Total Accumulated				
Depreciation	<u>27,254,979</u>	<u>2,920,888</u>	<u>1,830,069</u>	<u>28,345,798</u>
Net Capital Assets	<u>\$ 61,893,785</u>	<u>\$ 10,236,204</u>	<u>\$ 2,634,686</u>	<u>\$ 69,495,303</u>

Depreciation for transit operations for the years ended November 30, 2017 and 2016 was \$3,726,413 and \$2,920,888, respectively.

7. Notes Payable

Line of Credit

The District has a \$3,000,000 bank operating line of credit that bears interest at 4.00 percent, payable monthly, and is secured by all the District's assets. This operating line of credit expires May 2018. The District utilizes the line of credit for operating purposes. Outstanding amounts were \$0 and \$310,383 at November 30, 2017 and 2016, respectively.

Term Loans

In November 2014, the District borrowed \$420,000 to fund a portion of the full refund of the remaining 2010 General Obligation Alternate Revenue Bonds. The loan carries an interest rate of 2.62 percent and is secured by the District's assets. The loan calls for 36 monthly principal and interest payments of \$12,151 through November 24, 2017. The loan was paid off in full on November 24, 2017 and had a balance of \$143,744 at November 30, 2016.

In November 2016, the District borrowed \$4,737,244 for the purchase of ten CNG buses. The loan carried an interest rate equal to the Federal Home Loan Bank of Des Moines index rate plus .35 percentage points, but could be adjusted only once in a five-year period. Loan was secured by the District's assets. The loan called for 60 monthly payments of \$84,435 through December 15, 2021. Regular payments were made until June 2017, at which point the District paid \$2,792,247 of the loan and refinanced the remaining \$1,503,518. The refinanced loan carried an interest rate equal to the Federal Home Loan Bank of Des Moines index rate plus .75 percentage points and had a maximum rate of 3.50 percent. The loan was secured by the District's assets and called for 60 monthly payments of \$26,978. Regular payments were made until November 2017 when the District paid the remainder of the balance.

Long-Term Obligation Summary

The following is a summary of changes to the District's long-term debt for the fiscal year 2017:

	November 30, 2016	Issued	Retired	November 30, 2017	Due Within One Year
Line of Credit	\$ 310,383	\$ 450,000	\$ 760,383	\$ -	\$ -
Term Loans	4,880,988	1,503,518	6,384,506	-	-
OPEB Obligation	38,850	9,213	3,503	44,560	-
Net Pension Liability	3,506,043	406,701	925,090	2,987,654	-
Accrued Sick Leave	200,785	21,373	19,500	202,658	-
Totals	<u>\$ 8,937,049</u>	<u>\$ 2,390,805</u>	<u>\$ 8,092,982</u>	<u>\$ 3,234,872</u>	<u>\$ -</u>

The following is a summary of changes to the District's long-term debt for the fiscal year 2016:

	November 30, 2015	Issued	Retired	November 30, 2016	Due Within One Year
Line of Credit	\$ -	\$ 710,383	\$ 400,000	\$ 310,383	\$ 310,383
Term Loans	1,163,598	4,737,244	1,019,854	4,880,988	961,792
OPEB Obligation	32,737	9,194	3,081	38,850	-
Net Pension Liability	1,662,581	2,738,883	895,421	3,506,043	-
Accrued Sick Leave	200,035	21,777	21,027	200,785	-
Totals	<u>\$ 3,058,951</u>	<u>\$ 8,217,481</u>	<u>\$ 2,339,383</u>	<u>\$ 8,937,049</u>	<u>\$ 1,272,175</u>

8. Pension and Retirement Plans

Rock Island County Metropolitan Mass Transit District

Plan Description

The District's defined benefit pension plan for regular employees provides retirement and disability benefits, post-retirement increases, and death benefits to plan members and beneficiaries. The District's plan is managed by the Illinois Municipal Retirement Fund (IMRF), the administrator of a multi-employer public pension fund. IMRF is an agent

multiple-employer plan. A summary of IMRF’s pension benefits is provided in the “Benefits Provided” section below. Details of all benefits are available from IMRF. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available Comprehensive Annual Financial Report that includes financial statements, detailed information about the pension plan’s fiduciary net position, and required supplementary information. The report is available for download at www.imrf.org

Benefits Provided

IMRF has three benefit plans. The vast majority of IMRF members, including the District, participate in the Regular Plan.

All three IMRF benefit plans have two tiers. Employees hired before January 1, 2011, are eligible for Tier 1 benefits. Tier 1 employees are vested for pension benefits when they have at least eight years of qualifying service credit. Tier 1 employees who retire at age 55 (at reduced benefits) or after age 60 (at full benefits) with eight years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1.67 percent of the final rate of earnings for the first 15 years of service credit, plus 2 percent for each year of service credit after 15 years to a maximum of 75 percent of their final rate of earnings. Final rate of earnings is the highest total earnings during any consecutive 48 months within the last 10 years of service, divided by 48. Under Tier 1, the pension is increased by 3 percent of the original amount on January 1 every year after retirement.

Employees hired on or after January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after ten years of service. Participating employees who retire at age 62 (at reduced benefits) or after age 67 (at full benefits) with ten years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1.67 percent of the final rate of earnings for the first 15 years of service credit, plus 2 percent for each year of service credit after 15 years to a maximum of 75 percent of their final rate of earnings. Final rate of earnings is the highest total earnings during any 96 consecutive months within the last 10 years of service, divided by 96. Under Tier 2, the pension is increased on January 1 every year after retirement, upon reaching age 67, by the lesser of: 3 percent of the original pension amount, or 1/2 of the increase in the Consumer Price Index of the original pension amount.

There have been no changes in benefits between measurement dates.

Employees Covered by Benefit Terms

As of December 31, 2016, the following employees were covered by the benefit terms:

Retirees and Beneficiaries currently receiving benefits	81
Inactive Plan Members entitled to but not yet receiving benefits	59
Active Plan Members	136
Total	276

Contributions

As set by statute, the District's Regular Plan Members are required to contribute 4.5 percent of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The District's annual contribution rate for calendar years 2016 and 2017 were 11.45 percent and 10.05 percent, respectively. For the fiscal year ended November 30, 2017, the District contributed \$778,171 to the plan. The District also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by IMRF's Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Net Pension Liability

The District's net pension liability was measured as of December 31, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The following are the methods and assumptions used to determine total pension liability at December 31, 2016:

- The Actuarial Cost Method used was Entry Age Normal.
- The Asset Valuation Method used was Market Value of Assets.
- The Inflation Rate was assumed to be 2.75 percent.
- Salary Increases were expected to be 3.75 percent to 14.50 percent, including inflation.
- The Investment Rate of Return was assumed to be 7.50 percent.
- Projected Retirement Age was from the Experience-based Table of Rates, specific to the type of eligibility condition, last updated for the 2014 valuation according to an experience study from years 2011 to 2013.
- The IMRF-specific rates for Mortality (for non-disabled retirees) were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience.
- For Disabled Retirees, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table, applying the same adjustments that were applied for non-disabled lives.
- For Active Members, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

- The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return to the target asset allocation percent and adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Portfolio Target Percentage	Long-Term Expected Real Rate of Return
Domestic Equity	38%	6.85%
International Equity	17%	6.75%
Fixed Income	27%	3.00%
Real Estate	8%	5.75%
Alternative Investments	9%	2.65-7.35%
Cash Equivalents	1%	2.25%
Total	100%	

Single Discount Rate

A Single Discount Rate of 7.50 percent was used to measure the total pension liability. The projection of cash flow used to determine this Single Discount Rate assumed that the plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The Single Discount Rate reflects:

1. The long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits), and
2. The tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.50 percent, the municipal bond rate is 3.78 percent, and the resulting single discount rate is 7.50 percent.

Changes in the Net Pension Liability

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Position Liability (Asset) (A) - (B)
	<u>(A)</u>	<u>(B)</u>	<u>(A) - (B)</u>
Balances at December 31, 2015	\$ 30,057,037	\$ 27,311,259	\$ 2,745,778
Changes for the year:			
Service Cost	735,046	-	735,046
Interest on the Total Pension Liability	2,235,573	-	2,235,573
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience of the Total Pension Liability	(203,660)	-	(203,660)
Changes of Assumptions	-	-	-
Contributions - Employer	-	832,443	(832,443)
Contributions - Employees	-	301,853	(301,853)
Net Investment Income	-	1,888,321	(1,888,321)
Benefit Payments, including Refunds of Employee Contributions	(1,233,841)	(1,233,841)	-
Other (Net Transfer)	-	412,278	(412,278)
Net Changes	<u>1,533,118</u>	<u>2,201,054</u>	<u>(667,936)</u>
Balances at December 31, 2016	<u>\$ 31,590,155</u>	<u>\$ 29,512,313</u>	<u>\$ 2,077,842</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the plan's net pension liability, calculated using a Single Discount Rate of 7.50 percent, as well as what the plan's net pension liability (asset) would be if it were calculated using a Single Discount Rate that is 1 percent lower or 1 percent higher:

	1% Lower (6.50%)	Current Discount (7.50%)	1% Higher (8.50%)
	<u>(6.50%)</u>	<u>(7.50%)</u>	<u>(8.50%)</u>
Net Pension Liability (Asset)	<u>\$ 6,109,654</u>	<u>\$ 2,077,842</u>	<u>\$ (1,263,803)</u>

Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended November 30, 2016, the District recognized pension expense of \$896,835. At November 30, 2016, the District reported deferred outflows or resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Deferred Amounts to be Recognized in Pension Expense in Future Years		
Differences between expected and actual experience	\$ -	\$ 463,214
Changes of assumptions	314,375	-
Net difference between projected and actual Earnings on pension plan investments	<u>1,445,044</u>	<u>-</u>
Total Deferred Amounts to be recognized in Pension expense in future periods	1,759,419	463,214
Pension Contributions made subsequent to the Measurement Date	<u>727,283</u>	<u>-</u>
Total Deferred Amounts Related to Pensions	<u><u>\$ 2,486,702</u></u>	<u><u>\$ 463,214</u></u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future periods as follow:

<u>Fiscal Year Ended November 30</u>	<u>Net Deferred Outflows of Resources</u>
2018	\$ 555,141
2019	384,859
2020	336,130
2021	<u>20,075</u>
Total	<u><u>\$ 1,296,205</u></u>

Payables to the Pension Plan

At November 30, 2017, the District reported payables to IMRF of \$60,076 for legally required employer contributions and \$26,900 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IMRF.

Quad City Garage Policy Group

Plan Description – Employees of the Group are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55.

The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service)
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member’s beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member’s accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS’ Contribution Rate Funding Policy and Actuarial Amortization Method. The statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the “entry age normal” actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year closed amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2017, pursuant to the required rate, regular members contributed 5.95 percent of pay and the Group contributed 8.93 percent for a total rate of 14.88 percent.

The Group’s total contributions to IPERS for the year ended June 30, 2016 were \$92,259.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2017, the Group reported a liability of \$909,812 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Group’s proportion of the net pension liability was based on the Group’s share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2016, the Group’s collective proportion was .014589 percent, which was a decrease of .0007037 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Group recognized IPERS pension expense of \$58,539, which is included in Labor and Benefits operating expense on the statement of revenues, expenses, and changes in net position along with other non-IPERS pension expenses incurred by the Group. At June 30, 2017, the Group reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 8,041	\$ 10,858
Changes of Assumptions	13,881	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	242,207	112,587
Changes in Proportion and Difference Between Group Contributions and Proportionate Share of Contributions	-	148,575
Group Contributions Subsequent to the Measurement Date	<u>92,259</u>	<u>-</u>
Total	<u>\$ 356,388</u>	<u>\$ 272,020</u>

The \$92,647 reported as deferred outflows of resources related to pensions resulting from the Group's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ended June 30,</u>	
2018	\$ (53,245)
2019	(53,245)
2020	65,338
2021	35,033
2022	(1,772)
Total	<u>\$ (7,891)</u>

There were no non-employer contributing entities in relation to the Group's IPERS pension.

Actuarial Assumptions – The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (Effective June 30, 2016)	3.00 percent per annum
Rates of Salary Increases (Effective June 30, 1999)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group
Long-term Investment Rate of Return (Effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of the most recent actuarial experience study. The most recent analysis was performed for the period covering fiscal years 2010 to 2013, and was reported in May 2014.

Mortality rates were based on the RP-2000 Employee and Healthy Annuitant Tables with generational scaling and age adjustments.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation Percentage	L-T Expected Real Rate of Return
U.S. Equity	24	5.85%
Non U.S. Equity	16	6.32%
Private Equity	11	10.31%
Real Estate	8	3.87%
Core Plus Fixed Income	28	1.90%
Credit Opportunities	5	4.48%
TIPS	5	1.36%
Other Real Estate	2	6.42%
Cash	1	-0.26%
Total	100	

Discount Rate – The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the Group will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make

all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Group’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the Group’s proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Group’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate Used (7.5%)	1% Increase (8.5%)
Group's Proportionate Share of of the Net Pension Liability	\$ 1,471,952	\$ 909,812	\$ 435,358

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS’ website at www.ipers.org.

Payables to the Pension Plan – At June 30, 2017, the Group reported payables to the defined benefit pension plan of \$8,733 for legally required employer contributions and \$5,818 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

9. Other Post-Employment Benefits

Plan Description, Provisions, and Funding Policy

In addition to providing the pension benefits, the District provides other post-employment health care insurance benefits (OPEB) for its eligible retired employees through an implicit rate subsidy.

Retirees participating in the plan contribute 100 percent of the blended premium. The District, by paying the blended premium for active employees, in effect contributes the difference between the blended premium and the age adjusted premium towards retiree benefits. For fiscal years 2017 and 2016, the District contributed \$3,503 and \$3,081, respectively, to the plan for claim payments net of payments received from retirees for premiums. The plan is funded by the District on a pay-as-you-go basis.

The net OPEB obligation as of November 30 was calculated as follows:

	<u>2017</u>	<u>2016</u>
Annual Required Contribution	\$ 9,862	\$ 9,741
Interest on Net OPEB Obligation	1,554	1,309
Adjustment to Annual Required Contribution	<u>(2,203)</u>	<u>(1,856)</u>
Annual OPEB Cost	9,213	9,194
Contributions Made	<u>3,503</u>	<u>3,081</u>
Participating Employer's		
Increase (Decrease) in Net OPEB Obligation	5,710	6,113
Net OPEB Obligation - Beginning of Year	<u>38,850</u>	<u>32,737</u>
Net OPEB Obligation - End of Year	<u>\$ 44,560</u>	<u>\$ 38,850</u>

Three-Year Trend Information for the Plan:

Fiscal Year Ending November 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2017	\$ 9,213	38.0%	\$ 44,560
2016	9,194	33.5%	38,850
2015	9,157	31.6%	32,737

Funded Status and Funding Progress

The Funded status of the plan as of November 30, 2017, based on the actuarial valuation of November 30, 2014, the most recent actuarial valuation date, was as follows:

Actuarial Accrued Liability (AAL)	\$ 108,379
Actuarial Value of Plan Assets	\$ -
Unfunded Actuarial Accrued Liability (UAAL)	\$ 108,379
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0.0%
Covered Payroll	\$ 5,768,055
AAL as a percent of Covered Payroll (Active Plan Members)	1.9%

As of November 30, 2017, based on the actuarial valuation of November 30, 2014, the most recent valuation date, the plan was zero percent funded. The accrued liability for benefits was \$108,379 and the value of assets was \$0, resulting in an unfunded accrued liability (UAL) of \$108,379. The covered payroll (annual payroll of active employees covered by the plan) was \$5,768,055, and the ratio of the UAL to the covered payroll was 1.9 percent.

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 assumptions about future employment, mortality, and the healthcare cost contributions of the employer and 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 following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

In the November 30, 2014 valuation, the Entry Age Normal (EAN) – Level Dollar Open Method cost method was used. The assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date. The projected annual health care cost trend is 7.98 percent for single plans and 8.75 percent for combined retiree and spouse plans in the first year, increased to 9.00 percent for the second year and then reduced by annual decrements of one-half percent to an ultimate rate of 6.00 percent. The UAAL is being amortized as a level dollar amount over an open basis. The remaining amortization period at November 30, 2017 was 27 years.

10. Risk Management

The District participates in the Illinois Public Transit Risk Management Association (Risk Management Association) which is a public entity risk pool. The Risk Management Association was established by certain public transit districts pursuant to Article VII, Section 10 of the Illinois constitution, the Local Mass Transit District Act, 70 ILCS 3610/5, the Intergovernmental Cooperation Act, 5 ILCS 220/6, the Local Governmental and Governmental Employees Tort Immunity Act, 745 ILCS 10/9-103, and 745 ILCS 10/9-107, as amended.

This Risk Management Association seeks the prevention and lessening of losses to transit district properties and injuries to persons or properties which might result in claims being made against its participants. It is the intent of the Risk Management Association to administer a joint risk management pool and utilize such funds contributed by the participants to avert, defend, and protect, any participant of the Risk Management Association against stated liability and loss.

Specific risk coverage provided by the Risk Management Association for its members includes auto liability, general liability, auto physical liability, property/inland marine/crime, and public official's liability. The Risk Management Association will jointly self-insure certain risks within an agreed scope and may purchase catastrophe, excess/reinsurance, or aggregate stop loss insurance. Settled claims have not exceeded this coverage in any of the past three fiscal years. There were no reductions in coverage in the last year.

During the initial three years of the Risk Management Association's existence, each participant agreed to fully fund the participant's Maximum Loss Fund allocation so as to fully fund the Risk Management Association's Maximum Loss Fund for each year. Supplemental payments to fund losses from participants may be required from time to time when the contributions for any fiscal year are insufficient to fund payments within the Maximum Loss Fund for that year. Premium payments are accounted for as current year expenses in the financial statements of the District.

The District insures its risk of loss for employee injuries under workers' compensation laws by participating in the Illinois Public Risk Fund (IPRF), a public entity risk pool currently operating as a common risk management program for a number of Illinois municipalities. The District pays an annual "premium" to IPRF for its coverage. Annual audits of the District's payroll, workers' compensation claims, and employee job classifications are performed by IPRF.

11. Lease Commitments

The District is obligated under various operating leases for office facilities, docking facility, and equipment under non-cancelable operating leases, with terms expiring between April 2018 and April 2021. Total costs for such leases were \$168,202 and \$196,500 for the years ended November 30, 2017 and 2016, respectively. The District also is responsible for its proportionate share, which was 25 percent for 2017, of costs for common area maintenance and property taxes related to the office lease. The average monthly payment amount in 2017 for common area maintenance and property taxes was \$4,879.

Future minimum lease payments (rent only) under these operating leases are as follows:

Fiscal Years Ending November 30	
2018	\$ 148,912
2019	144,446
2020	137,047
2021	45,682
Total	<u>\$ 476,087</u>

12. Related-Party Balances and Transactions

The District, through its blended component unit the Group, has transaction and balances related to activities with the City of Davenport, Iowa (Davenport), which has an equity ownership interest in the Group. Total receivables due from Davenport in the statement of net position for November 30, 2017 and 2016, were \$0 and \$3,924, respectively. Total revenue related to Davenport for fiscal years 2017 and 2016 were \$21,318 and \$19,685, respectively.

The District had receivable due from the City of Moline for \$728,280 as of November 30, 2017. The City of Moline elects a representative to hold a seat on the District's board.

13. Other Commitments

The District had eleven in-progress contracts related to various capital or operational projects through the date of the Independent Auditor's Report. The remaining commitment on these contracts, after costs incurred through November 30, 2017, was approximately \$7,900,000. The majority of these commitments will be funded with grants from federal and State of Illinois agencies, or through cost sharing agreements with other local government units.

14. Contingent Liabilities

Litigation

In the normal course of events, the District records liabilities resulting from claims and legal actions only when they become fixed or determinable in amount. Management believes that the aggregate liability, if any, resulting from any claims or proceedings will not be material after insurance coverage.

Federal and State Grants

The District participates in a number of state and federally assisted programs. Under the terms of the programs, periodic audits may be required, and certain costs may be questioned as not being appropriate expenditures under the terms of these programs. Such audits could lead to reimbursements to grantor agencies. Based on prior experience, the District believes examinations would not result in any material disallowed costs for grant revenue recorded in these financial statements or from prior years.

15. Change in Depreciable Lives for Capital Assets

As of December 1, 2016, the District revised the estimated useful lives of certain bus shelters from 20 to 12 years and STS Buses from 12 to 7 years. The revisions were accounted for prospectively as a change in accounting estimate. As a result, the change in net position of the District for the year ended November 30, 2017, decreased by \$265,311.

REQUIRED SUPPLEMENTARY INFORMATION

ROCK ISLAND COUNTY METROPOLITAN MASS TRANSIT DISTRICT
 Schedule of Changes in the Net Pension Liability and Related Ratios
 Illinois Municipal Retirement Fund
 Last Ten Calendar Years

Required Supplementary Information
 (Unaudited)

	2016	2015	2014
Total Pension Liability			
Service Cost	\$ 735,046	\$ 671,151	\$ 738,240
Interest on the Total Pension Liability	2,235,573	2,156,372	1,972,268
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience of the Total Pension Liability	(203,660)	(552,289)	(40,292)
Changes of Assumptions	-	-	1,051,532
Benefit Payments, including Refunds of Employee Contributions	(1,233,841)	(1,268,501)	(1,198,469)
Net Change in Total Pension Liability	1,533,118	1,006,733	2,523,279
Total Pension Liability - Beginning	30,057,037	29,050,304	26,527,025
Total Pension Liability - Ending (A)	<u>\$ 31,590,155</u>	<u>\$ 30,057,037</u>	<u>\$ 29,050,304</u>
Plan Fiduciary Net Position			
Contributions - Employer	\$ 832,443	\$ 801,276	\$ 909,121
Contributions - Employees	301,853	295,554	279,826
Net Investment Income	1,888,321	140,090	1,618,079
Benefit Payments, including Refunds of Employee Contributions	(1,233,841)	(1,268,501)	(1,198,469)
Other (Net Transfer)	412,278	(760,902)	(35,466)
Net Change in Plan Fiduciary Net Position	2,201,054	(792,483)	1,573,091
Plan Fiduciary Net Position - Beginning	27,311,259	28,103,742	26,530,651
Plan Fiduciary Net Position - Ending (B)	<u>\$ 29,512,313</u>	<u>\$ 27,311,259</u>	<u>\$ 28,103,742</u>
Net Pension Liability - Ending (A) - (B)	<u>\$ 2,077,842</u>	<u>\$ 2,745,778</u>	<u>\$ 946,562</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	93.42%	90.86%	96.74%
Covered Payroll	\$ 6,707,844	\$ 6,567,867	\$ 6,218,356
Net Pension Liability as a Percentage of Covered Payroll	30.98%	41.81%	15.22%

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

ROCK ISLAND COUNTY METROPOLITAN MASS TRANSIT DISTRICT
 Schedule of Employer Contributions
 Illinois Municipal Retirement Fund
 Last Ten Calendar Years

Required Supplementary Information
 (Unaudited)

(1) Year Ended <u>December 31</u>	Actuarially Determined Contribution	Actual Contribution	Unfunded Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a Percentage of Covered Payroll
2016	\$ 832,442	\$ 832,442	\$ -	\$ 6,707,844	12.41%
2015	801,276	801,276	-	6,567,867	12.20%
2014	909,121	909,121	-	6,218,356	14.62%
2013	961,846	937,043	24,803	6,049,346	15.49% (2)
2012	917,131	858,020	59,111	6,093,894	14.08% (2)
2011	961,043	763,111	197,932	5,961,804	12.80% (2)

Notes:

- (1) GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.
- (2) IMRF provided a phase in contribution rate resulting in a slight difference between required and actual contributions. During the District's 2013 fiscal year, the District made an additional catch up payment to ensure the net pension obligation remained at \$0 as of November 30, 2013.

ROCK ISLAND COUNTY METROPOLITAN MASS TRANSIT DISTRICT
Notes to Required Supplementary Information - Schedule of Employer Contributions - IMRF
(Unaudited)
November 30, 2017

Summary of Actuarial Methods and Assumptions Used in the Calculation of the 2016 Contribution Rate*

Valuation Date:

Notes: Actuarially determined contribution rates are calculated as of December 31 each year, which is 12 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine 2016 Contribution Rates:

Actuarial Cost Method:	Aggregate entry age normal
Amortization Method:	Level percentage of payroll, closed
Remaining Amortization Period:	27-year closed period until remaining period reaches 15 years (then 15-year rolling period)
Asset Valuation Method:	5-year smoothed market; 20% corridor
Wage Growth:	3.50%
Price Inflation:	2.75%, approximate; No explicit price inflation assumption is used in this valuation.
Salary Increases:	3.75% to 14.50%, including inflation
Investment Rate of Return:	7.50%
Retirement Age:	Experience-based table of rates that are specific to the type of eligibility condition; last updated for the 2014 valuation pursuant to an experience study of the period 2011 to 2013.
Mortality:	For non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment that were applied for non-disabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

Other Information:

Notes: There were no benefit changes during the year.

* Based on Valuation Assumptions used in the December 31, 2014, actuarial valuation.

ROCK ISLAND COUNTY METROPOLITAN MASS TRANSIT DISTRICT
 Schedule of Proportionate Share of the Net Pension Liability
 Quad City Garage Policy Group (Blended Component Unit)
 Iowa Public Employees' Retirement System
 Last Ten Fiscal Years

Required Supplementary Information
 (Unaudited)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Group's Proportion of the Net Pension Liability (Asset)	0.0145890%	0.0152927%	0.0176922%	0.0192930%
Group's Proportionate Share of the Net Pension Liability	\$ 909,812	\$ 760,265	\$ 716,019	\$ 1,092,364
Group's Covered Payroll	\$ 1,033,143	\$ 1,037,474	\$ 1,054,250	\$ 1,181,399
Group's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	88.06%	73.28%	67.92%	92.46%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.86%	84.19%	87.61%	81.25%

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled the Group will present information for those years for which information is available.

ROCK ISLAND COUNTY METROPOLITAN MASS TRANSIT DISTRICT
 Schedule of Contributions
 Quad City Garage Policy Group (Blended Component Unit)
 Iowa Public Employees' Retirement System
 Last Ten Fiscal Years

Required Supplementary Information
 (Unaudited)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily Required Contribution	\$ 92,259	\$ 92,647	\$ 94,145	\$ 105,499	\$ 108,184	\$ 103,305
Contributions in Relation to the Statutorily Required Contribution	<u>92,259</u>	<u>92,647</u>	<u>94,145</u>	<u>105,499</u>	<u>108,184</u>	<u>103,305</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Group's Covered Payroll	\$ 1,033,143	\$ 1,037,474	\$ 1,054,250	\$ 1,181,399	\$ 1,247,798	\$ 1,283,712
Contribution as a Percentage of Covered Payroll	8.93%	8.93%	8.93%	8.93%	8.67%	8.05%

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Group will present information for those years for which information is available.

ROCK ISLAND COUNTY METROPOLITAN MASS TRANSIT DISTRICT
Notes to Required Supplementary Information - Pension Liability - IPERS
Quad City Garage Policy Group (Blended Component Unit)
(Unaudited)
November 30, 2017

Changes of Benefit and Funding Terms:

The following changes were made in the valuation performed as of June 30, 2016:

None

Changes of Actuarial Assumptions:

The 2016 valuation implemented the following refinements:

None

ROCK ISLAND COUNTY METROPOLITAN MASS TRANSIT DISTRICT
 Schedule of Funding Progress – Other Post-Employment Benefits
 November 30, 2017
 Required Supplementary Information
 (Unaudited)

Actuarial Valuation Date	Value of Assets (a)	(AAL) - Entry Age (b)	AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	of Covered Payroll (b-a)/c
11/30/2014	\$ -	\$ 103,731	\$ 103,731	0.00%	\$ 5,544,074	1.9%
11/30/2012	-	154,829	154,829	0.00%	6,219,440	2.5%
11/30/2009	-	98,650	98,650	0.00%	5,706,501	1.7%

The District implemented GASB Statement No. 45 for the fiscal year ended November 30, 2010. Information for prior years is not available. Each actuarial valuation can be used for up to three fiscal years beginning within twenty-four months of the actuarial date, thus the District has had only three actuarial valuations through the end of fiscal year 2017.

SUPPLEMENTARY INFORMATION

ROCK ISLAND COUNTY METROPOLITAN MASS TRANSIT DISTRICT
Combining Schedule of Net Position by Sub-Fund - Excluding Blended Component Unit
November 30, 2017

	Operating	Insurance	Eliminations	Total
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 1,160,599	\$ -	\$ -	\$ 1,160,599
Restricted Assets				
Cash and Cash Equivalents for Insurance and Employee Benefits	2,494,812	127,966	-	2,622,778
Property Taxes Receivable	101,201	-	-	101,201
Receivables				
Property Taxes Receivable	3,739,295	-	-	3,739,295
Accounts Receivable, Net of Allowance	133,540	-	-	133,540
Federal and State Grants Receivable	957,873	-	-	957,873
Due from Other Governments	2,645,351	-	-	2,645,351
Due from Operating Fund	-	900,000	(900,000)	-
Prepaid Expenses	429,846	-	-	429,846
Inventory	21,726	-	-	21,726
Total Current Assets	<u>11,684,243</u>	<u>1,027,966</u>	<u>(900,000)</u>	<u>11,812,209</u>
Noncurrent Assets:				
Cash and Cash Equivalents - Designated Funds	951,458	-	-	951,458
Investment in Quad City Garage Policy Group	(100,237)	-	-	(100,237)
Capital Assets				
Not Being Depreciated	15,662,339	-	-	15,662,339
Being Depreciated				
Property and Equipment	90,016,594	-	-	90,016,594
Accumulated Depreciation	(30,080,301)	-	-	(30,080,301)
Total Noncurrent Assets	<u>76,449,853</u>	<u>-</u>	<u>-</u>	<u>76,449,853</u>
Total Assets	<u>88,134,096</u>	<u>1,027,966</u>	<u>(900,000)</u>	<u>88,262,062</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension Related Deferred Outflows	2,486,702	-	-	2,486,702
Total Deferred Outflows of Resources	<u>2,486,702</u>	<u>-</u>	<u>-</u>	<u>2,486,702</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	1,148,346	-	-	1,148,346
Accrued Payroll and Payroll Taxes	292,850	-	-	292,850
Accrued Leave	142,890	-	-	142,890
Quad City Garage Policy Group Payable	6,981	-	-	6,981
Unearned State Operating Assistance	2,283,187	-	-	2,283,187
Due to Insurance Fund	900,000	-	(900,000)	-
Unearned Other Revenue	27,333	-	-	27,333
Total Current Liabilities	<u>4,801,587</u>	<u>-</u>	<u>(900,000)</u>	<u>3,901,587</u>
Noncurrent Liabilities:				
Accrued Leave - Net of Current	202,658	-	-	202,658
Net Pension Liability	2,077,842	-	-	2,077,842
Other Post-Employment Benefits Obligation	44,560	-	-	44,560
Total Noncurrent Liabilities	<u>2,325,060</u>	<u>-</u>	<u>-</u>	<u>2,325,060</u>
Total Liabilities	<u>7,126,647</u>	<u>-</u>	<u>(900,000)</u>	<u>6,226,647</u>
DEFERRED INFLOWS OF RESOURCES				
Unearned Property Taxes	3,707,119	-	-	3,707,119
Pension Related - Deferred Inflows	463,214	-	-	463,214
Total Deferred Inflows of Resources	<u>4,170,333</u>	<u>-</u>	<u>-</u>	<u>4,170,333</u>
NET POSITION				
Net Investment in Capital Assets	75,598,632	-	-	75,598,632
Restricted:				
Tax Levy Restrictions for:				
Liability Insurance	1,497,442	127,966	-	1,625,408
Employee Benefits	1,089,533	-	-	1,089,533
Other Tax Levy Restrictions	9,038	-	-	9,038
Unrestricted	1,129,173	900,000	-	2,029,173
Total Net Position	<u>\$ 79,323,818</u>	<u>\$ 1,027,966</u>	<u>\$ -</u>	<u>\$ 80,351,784</u>

ROCK ISLAND COUNTY METROPOLITAN MASS TRANSIT DISTRICT
Combining Schedule of Revenues, Expenses, and Changes in Net Position by Sub-Fund -
Excluding Blended Component Unit
For the Year Ended November 30, 2017

	Operating	Insurance	Total
Operating Revenues			
Passenger Fares	\$ 1,229,933	\$ -	\$ 1,229,933
Other Transportation Revenue	232,816	-	232,816
Other Operating Revenue	289,430	-	289,430
Total Operating Revenues	<u>1,752,179</u>	<u>-</u>	<u>1,752,179</u>
Operating Expenses			
Labor and Benefits	11,735,580	-	11,735,580
Professional Services	2,358,027	4,431	2,362,458
Materials and Supplies	1,577,175	-	1,577,175
Utilities	371,704	-	371,704
Insurance	517,326	10,340	527,666
Purchased Transportation	995,401	-	995,401
Leases	229,722	-	229,722
Miscellaneous	260,062	-	260,062
Depreciation	3,726,413	-	3,726,413
Total Operating Expenses	<u>21,771,410</u>	<u>14,771</u>	<u>21,786,181</u>
Operating Income (Loss)	<u>(20,019,231)</u>	<u>(14,771)</u>	<u>(20,034,002)</u>
Non-Operating Revenues (Expenses)			
Investment Income	1,940	52	1,992
Interest Expense	(85,833)	-	(85,833)
Amortization of Loss on Refunding	(3,468)	-	(3,468)
Property Taxes			
Levied	3,576,999	-	3,576,999
Replacement	186,317	-	186,317
Payment in Lieu of Taxes	16,245	-	16,245
Equity in Net Income (Loss) of Quad City Garage Policy Group	19,559	-	19,559
Government Grants and Assistance			
State Operating Assistance	14,617,532	-	14,617,532
Federal Operating Assistance	1,631,753	-	1,631,753
Gain (Loss) on Disposal of Assets	(12,474)	-	(12,474)
Other Income	7,440	-	7,440
Total Non-Operating Revenues (Expenses)	<u>19,956,010</u>	<u>52</u>	<u>19,956,062</u>
Net Income (Loss) Before Capital Contributions	<u>(63,221)</u>	<u>(14,719)</u>	<u>(77,940)</u>
Capital Contributions			
State Capital Assistance	2,008,031	-	2,008,031
Federal Capital Assistance	8,246,709	-	8,246,709
Total Capital Contributions	<u>10,254,740</u>	<u>-</u>	<u>10,254,740</u>
Net Increase (Decrease) in Net Position	10,191,519	(14,719)	10,176,800
Net Position - Beginning of Year	<u>69,132,299</u>	<u>1,042,685</u>	<u>70,174,984</u>
Net Position - End of Year	<u>\$ 79,323,818</u>	<u>\$ 1,027,966</u>	<u>\$ 80,351,784</u>

ROCK ISLAND COUNTY METROPOLITAN MASS TRANSIT DISTRICT
Combining Schedule of Cash Flows by Sub-Fund - Excluding Blended Component Unit
For the Year Ended November 30, 2017

	Operating	Insurance	Total
Cash Flows From Operating Activities			
Cash Received for Transit Fares	\$ 1,215,754	\$ -	\$ 1,215,754
Cash Received From Special Transit Services and Advertising Income	232,816	-	232,816
Rent and Other Receipts	289,430	-	289,430
Wages Paid to Employees	(8,158,656)	-	(8,158,656)
Payments to Suppliers for Goods and Services	(10,481,708)	(14,771)	(10,496,479)
Net Cash Provided by (Used in) Operating Activities	<u>(16,902,364)</u>	<u>(14,771)</u>	<u>(16,917,135)</u>
Cash Flows From Non-Capital Financing Activities			
Operating Grant Proceeds			
State of Illinois	20,707,313	-	20,707,313
Federal Transit Administration	2,416,661	-	2,416,661
Property and Income Taxes Received	3,784,166	-	3,784,166
Principal Advances on Line of Credit	450,000	-	450,000
Principal Payments on Line of Credit	(760,383)	-	(760,383)
Interest Payments on Line of Credit	(3,851)	-	(3,851)
Interfund Loans	(128,000)	128,000	-
Net Cash Provided by (Used in) Non-Capital Financing Activities	<u>26,465,906</u>	<u>128,000</u>	<u>26,593,906</u>
Cash Flows From Capital and Related Financing Activities			
Capital Grant Proceeds			
State of Illinois	1,431,944	-	1,431,944
Federal Transit Administration	8,554,776	-	8,554,776
Principal Payments on Term Loans	(4,880,988)	-	(4,880,988)
Interest Payments on Term Loans	(82,263)	-	(82,263)
Cash Received for Other Income	7,440	-	7,440
Capital Asset Expenditure Due from Moline	(790,282)	-	(790,282)
Purchase and Construction of Capital Assets	(9,326,545)	-	(9,326,545)
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(5,085,918)</u>	<u>-</u>	<u>(5,085,918)</u>
Cash Flows From Investing Activities			
Interest Received	1,940	52	1,992
Increase (Decrease) in Cash and Cash Equivalents	4,479,564	113,281	4,592,845
Cash and Cash Equivalents, Beginning of Year	<u>127,305</u>	<u>14,685</u>	<u>141,990</u>
Cash and Cash Equivalents, End of Year	<u>\$ 4,606,869</u>	<u>\$ 127,966</u>	<u>\$ 4,734,835</u>
Presented on the Schedule of Net Position as Follows:			
Cash and Cash Equivalents	\$ 1,160,599	\$ -	\$ 1,160,599
Cash and Cash Equivalents for Insurance and Employee Benefits	2,494,812	127,966	2,622,778
Cash and Cash Equivalents - Designated Funds	951,458	-	951,458
Cash and Cash Equivalents - End of Year	<u>\$ 4,606,869</u>	<u>\$ 127,966</u>	<u>\$ 4,734,835</u>

ROCK ISLAND COUNTY METROPOLITAN MASS TRANSIT DISTRICT
Combining Schedule of Cash Flows by Sub-Fund - Excluding Blended Component Unit
For the Year Ended November 30, 2017

	Operating	Insurance	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities			
Operating Income (Loss)	\$ (20,019,231)	\$ (14,771)	\$ (20,034,002)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities			
Depreciation	3,726,413	-	3,726,413
Changes in Assets and Liabilities			
Accounts Receivable	(222,231)	-	(222,231)
Prepaid Expenses	(63,245)	-	(63,245)
Inventory	(7,880)	-	(7,880)
Pension Related Deferred Outflows	673,075	-	673,075
Accounts Payable	(345,174)	-	(345,174)
Other Liabilities	1,626	-	1,626
Accrued Wages and Benefits	4,038	-	4,038
Net Pension Liability	(667,936)	-	(667,936)
Pension Related Deferred Inflows	18,181	-	18,181
Net Adjustments	3,116,867	-	3,116,867
Net Cash Provided by (Used in) Operating Activities	\$ (16,902,364)	\$ (14,771)	\$ (16,917,135)
Noncash Capital and Related Financing Activities			
Capital Assets Donated by Grants	\$ 295,835	\$ -	\$ 295,835

ROCK ISLAND COUNTY METROPOLITAN MASS TRANSIT DISTRICT
 Schedule of Property, Plant, and Equipment - Excluding Blended Component Unit
 For the Year Ended November 30, 2017

	Balance at November 30, 2016	Additions and Adjustments	Deletions and Adjustments	Balance at November 30, 2017
Land	\$ 968,797	\$ -	\$ -	\$ 968,797
Intangible Assets	315,000	-	-	315,000
Buses Low floor	1,558,776	-	1,558,776	-
EZ Transit Buses	1,407,265	506,503	226,264	1,687,504
ADA Transit Van	210,668	-	210,668	-
Buses - 15 Passengers	96,792	-	96,792	-
Buses - CNG	21,572,548	-	21,572,548	-
Large Buses/Fixed Route	-	25,300,775	1,755,441	23,545,334
Buses - 2003 New Flyer	2,164,448	-	2,164,448	-
Spare Parts	663	-	663	-
Channel Cat Boats	567,809	-	-	567,809
Autos	205,312	209,597	21,500	393,409
Tram	70,000	-	-	70,000
Shelters	3,882,179	245,564	22,017	4,105,726
Radios	80,832	-	-	80,832
Camera Equipment	1,015,746	9,975	-	1,025,721
Fare Boxes	351,554	-	-	351,554
Computers	756,276	-	-	756,276
Office Equipment	279,923	-	-	279,923
Building Garage	39,334,440	-	-	39,334,440
CNG Fueling Station	3,215,407	-	-	3,215,407
Shop Equipment	111,599	9,194	-	120,793
Service Truck	78,873	1,000	79,873	-
Parts Truck	11,433	-	11,433	-
STS Building	404,108	-	-	404,108
Community Transit Centre (CTC)	8,473,978	-	-	8,473,978
East Moline Transfer Facility	2,283,618	-	-	2,283,618
AVLS System	2,747,057	246,168	-	2,993,225
Access Control	92,040	-	-	92,040
Website	73,575	-	-	73,575
Rights of Way/Improvements	161,321	-	-	161,321
Construction in Progress				
Multi Modal Facility	5,349,064	9,029,479	-	14,378,543
Totals	97,841,101	35,558,255	27,720,423	105,678,933
Accumulated Depreciation	28,345,798	3,726,413	1,991,910	30,080,301
Net Property, Plant, and Equipment	\$ 69,495,303	\$ 31,831,842	\$ 25,728,513	\$ 75,598,632

ROCK ISLAND COUNTY METROPOLITAN MASS TRANSIT DISTRICT
 Schedule of Revenues and Expenses - Budget and Actual - Operating Sub-Fund -
 Excluding Blended Component Unit
 For the Year Ended November 30, 2017

	Budget	Actual	Over/(Under)
Operating Revenues			
Passenger Fares	\$ 1,255,970	\$ 1,229,933	\$ (26,037)
Other Transportation Revenue	262,030	232,816	(29,214)
Other Operating Revenue	198,466	289,430	90,964
Bad Debt Expense	(2,700)	-	2,700
Total Operating Revenues	<u>1,713,766</u>	<u>1,752,179</u>	<u>38,413</u>
Operating Expenses			
Operators' Salaries and Wages	4,032,551	4,103,758	71,207
Salaries and Wages - Other	3,324,985	3,071,554	(253,431)
Social Security	617,493	546,085	(71,408)
Pension	1,016,791	896,835	(119,956)
Group Health Insurance	1,824,439	1,676,498	(147,941)
Group Life Insurance	28,599	28,640	41
Disability Insurance	8,770	7,577	(1,193)
Unemployment Tax	35,537	17,752	(17,785)
Workers' Compensation	343,652	301,289	(42,363)
Sick Leave	193,003	208,593	15,590
Holiday	240,832	255,668	14,836
Vacation	452,723	451,272	(1,451)
Other Paid Leave	34,697	39,891	5,194
Uniform Allowance	56,904	65,694	8,790
OPEB Expense	-	5,710	5,710
Other Fringe Benefits	33,092	30,026	(3,066)
Training	36,750	26,684	(10,066)
Tuition Reimbursement	10,000	2,054	(7,946)
Management Fees	44,496	45,275	779
Advertising and Media Fees	163,000	81,830	(81,170)
Professional Services	645,829	690,196	44,367
Temporary Services	105,138	3,410	(101,728)
Contract Maintenance	852,783	564,856	(287,927)
Custodial Services	660,993	669,662	8,669
Security Services	239,705	231,416	(8,289)
Other Services	88,548	71,382	(17,166)
Fuel and Lubricants	894,663	350,906	(543,757)
Tires	129,559	103,745	(25,814)
Other Materials and Supplies	1,147,892	1,122,524	(25,368)
Utilities (Gas and Electric)	305,098	295,661	(9,437)
Utilities (Cell and Telephones)	88,629	76,043	(12,586)
Property Damage Premiums	-	36	36
Public Liability and Physical Damage	601,087	516,930	(84,157)
Other Corporate Premiums	360	360	-
Vehicle Licensing	2,215	2,852	637
Purchased Transportation	1,059,248	995,401	(63,847)
Dues and Subscriptions	48,330	58,491	10,161
Travel and Meetings	92,000	63,020	(28,980)
Advertising and Promotion - Internal	120,250	115,377	(4,873)
Miscellaneous	46,700	20,322	(26,378)
Leases and Rentals	249,251	229,722	(19,529)
Depreciation	3,263,861	3,726,413	462,552
Total Operating Expenses	<u>23,140,451</u>	<u>21,771,410</u>	<u>(1,369,041)</u>

ROCK ISLAND COUNTY METROPOLITAN MASS TRANSIT DISTRICT
Schedule of Revenues and Expenses - Budget and Actual - Operating Sub-Fund -
Excluding Blended Component Unit
For the Year Ended November 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Over/(Under)</u>
Operating Income (Loss)	(21,426,684)	(20,019,231)	1,407,453
Non-Operating Revenues (Expenses)			
Investment Income	-	1,940	1,940
Interest Expense	(168,384)	(85,833)	82,551
Amortization of Loss on Refunding	-	(3,468)	(3,468)
Property Taxes			
Levied	3,524,688	3,576,999	52,311
Replacement	195,651	186,317	(9,334)
Payment in Lieu of Taxes	16,000	16,245	245
Equity in Net Income (Loss) of Quad City Garage Policy Group	-	19,559	19,559
Government Grants and Assistance			
State Operating Assistance	13,015,713	14,617,532	1,601,819
Federal Operating Assistance	1,625,000	1,631,753	6,753
Other Income	-	7,440	7,440
Gain (Loss) on Disposal of Assets	-	(12,474)	(12,474)
Total Non-Operating Revenues (Expenses)	<u>18,208,668</u>	<u>19,956,010</u>	<u>1,747,342</u>
Net Income (Loss) Before Capital Contributions and Transfers	<u>\$ (3,218,017)</u>	<u>\$ (63,221)</u>	<u>\$ 3,154,796</u>

ROCK ISLAND COUNTY METROPOLITAN MASS TRANSIT DISTRICT
 Schedule of Revenues and Expenses
 Under Downstate Operating Assistance Grant OP-17-03-IL
 For the State Fiscal Year Ended June 30, 2017

Operating Revenues:	
401 Passenger Fares for Transit Services	\$ 1,229,660
406 Auxiliary Revenue	232,103
407 Non-Transportation Revenue	233,835
413 Federal Cash Grants and Reimbursements	<u>2,283,097</u>
Total Operating Revenues	<u><u>\$ 3,978,695</u></u>
Operating Expenses:	
501 Labor	\$ 7,012,772
502 Fringe Benefits	5,005,505
503 Professional Services	2,358,107
504 Materials and Supplies Consumed	1,567,239
505 Utilities	377,907
506 Casualty and Liability	587,675
507 Taxes	3,269
508 Net Purchased Transportation	1,056,570
509 Miscellaneous Expense	262,174
511 Debt Obligation	2,979
512 Leases, Rentals, and Purchase/Lease Payments	243,854
517 Debt Service on Equipment/Facilities	<u>4,806,963</u>
Total Operating Expenses	<u>\$ 23,285,014</u>
Less: Ineligible Operating Expenses:	
Reimbursed Expenses	\$ 26,100
APTA Dues (10%)	2,585
IPTA Dues (20%)	1,700
Audit Fee	7,826
Government Consulting	66,000
Equipment Eligible for Federal Grant	4,772
Intergovernmental Agreement - City of Bettendorf Operating Expenses	56,025
Shelter Repairs and Maintenance	8,560
Software	91,366
Transportation Covered by Federal Grant	<u>48,545</u>
Total Ineligible Operating Expenses	<u>313,479</u>
Total Eligible Operating Expenses	<u><u>\$ 22,971,535</u></u>

ROCK ISLAND COUNTY METROPOLITAN MASS TRANSIT DISTRICT
 Schedule of Revenues and Expenses
 Under Downstate Operating Assistance Grant OP-17-03-IL
 For the State Fiscal Year Ended June 30, 2017

Total Eligible Operating Expenses	\$	22,971,535
Total Operating Revenues		3,978,695
Deficit	\$	<u>18,992,840</u>
Sixty-Five Percent of Eligible Expense	\$	<u>14,931,498</u>
Maximum Contract Amount	\$	<u>23,051,300</u>
Eligible Downstate Operating Assistance (Deficit or Sixty-Five Percent of Eligible Expense or Maximum Contract Amount, Whichever is Less)	\$	14,931,498
State Fiscal Year 2017 Downstate Operating Assistance Received (Prior to the Close of the District's Fiscal Year 2017)		<u>14,442,146</u>
State Fiscal Year 2017 Downstate Operating Assistance Under (Over) Paid	\$	<u>489,352</u>

The Schedule of Revenues and Expenses Under Downstate Operating Assistance Grant is prepared based on the grant period July 1, 2016 through June 30, 2017. This activity is included in the District's fiscal years 2016 and 2017 financial statements based on accrual accounting in accordance with U.S. Generally Accepted Accounting Principles.

ROCK ISLAND COUNTY METROPOLITAN MASS TRANSIT DISTRICT
Schedule of Prior Audit Findings –
Downstate Operating Assistance Grant
For the Year Ended November 30, 2017

No findings noted in the prior year.

ROCK ISLAND COUNTY METROPOLITAN MASS TRANSIT DISTRICT
Schedule of Auditor Assurances Applicable to
Downstate Operating Assistance Grant OP-17-03-IL
For the Year Ended November 30, 2017

1. The financial statements of the Rock Island County Metropolitan Mass Transit District are prepared in accordance with accounting principles generally accepted in the United States of America as adopted by the Governmental Accounting Standards Board.
2. The Rock Island County Metropolitan Mass Transit District complied with the Regulations for Operating Assistance to Downstate Areas.
3. The District's system of internal accounting controls and procedures was adequate relating to funds received and costs charged to the grant.
4. State funds were expended in accordance with the grant contract.
5. Financial reports and claims for advances were accurate and complete with no exceptions.

ROCK ISLAND COUNTY METROPOLITAN MASS TRANSIT DISTRICT
 Schedule of Expenditures of Federal Awards
 For the Year Ended November 30, 2017

Federal Grantor/Pass-Through Grantor/ Program Title	CFDA Number	Grant Number	Federal Awards Expended	Total Provided to Sub-recipients
U.S. Department of Transportation -				
Direct Awards:				
Federal Transit Formula Grants	20.507	IL-90-0688	\$ 80,406	\$ -
Federal Transit Formula Grants	20.507	IL-90-0697	1,248	-
Federal Transit Formula Grants	20.507	IL-90-2697	105,250	-
Federal Transit Formula Grants	20.507	IL-90-0714	35,862	-
Federal Transit Formula Grants	20.507	IL-90-0732	94,015	-
Federal Transit Formula Grants	20.507	IL-90-0746	67,964	-
Federal Transit Formula Grants	20.507	IL-90-0748	4,810	-
Federal Transit Formula Grants	20.507	IL-2016-012	21,807	-
Federal Transit Formula Grants	20.507	IL-2017-011	1,250,703	-
Federal Transit Formula Grants	20.507	IL-2018-001	413,516	-
Total Federal Transit Cluster			2,075,581	-
Highway Planning and Construction	20.205	IL-2017-015	36,661	-
Highway Planning and Construction	20.205	1180-2017-2	17,912	-
Total Highway Planning and Construction			54,573	-
Job Access and Reverse Commute Program	20.516	IL-37-4082	48,546	-
National Infrastructure Investment	20.933 *	IL-79-0001	7,699,762	-
Total Federal Expenditures			\$ 9,878,462	\$ -

* - Denotes a major program

Notes to Schedule of Expenditures of Federal Awards:

1. The accompanying Schedule of Expenditures of Federal Awards is a summary of the activity of the District's federal award programs presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in the basic financial statements, which are presented in conformity with accounting principles generally accepted in the United States of America.
2. The District did not use the 10 percent de minimis indirect cost rate for the year ended November 30, 2017.
3. Property and equipment purchases that are presented as expenditures in the Schedule of Expenditures of Federal Awards may be capitalized by the District for presentation in the basic financial statements.
4. There were no sub-recipients for the year ended November 30, 2017.

ROCK ISLAND COUNTY METROPOLITAN MASS TRANSIT DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended November 30, 2017

1. Summary of Auditor's Results

- (i) Type of auditor's report issued on the financial statements: Unmodified
- (ii) The audit did not disclose a material weakness or significant deficiency in internal control over financial reporting.
- (iii) The audit did not disclose instances of noncompliance material to the financial statements.
- (iv) The audit did not disclose material weaknesses or significant deficiencies in internal control over the major federal award program.
- (v) Type of auditor's report issued on compliance for the major program: Unmodified
- (vi) The audit did not disclose a finding that is required to be reported in accordance with 2 CFR section 200.516a.
- (vii) Major program:
 - U.S. Department of Transportation – Federal Transit Administration:
 - National Infrastructure Investment
 - CFDA #20.933
- (viii) The dollar threshold used to distinguish Type A and Type B programs was \$750,000.
- (ix) Rock Island County Metropolitan Mass Transit District does qualify as a low risk auditee.

2. Findings – Financial Statement Audit

None noted.

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

None noted.

ROCK ISLAND COUNTY METROPOLITAN MASS TRANSIT DISTRICT
Summary Schedule of Prior Audit Findings
For the Year Ended November 30, 2017

No findings noted in the prior year.

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

To the Board of Trustees
Rock Island County Metropolitan Mass Transit District
Moline, Illinois

We have audited, in accordance with the 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, the financial statements of the Rock Island County Metropolitan Mass Transit District (the District), as of and for the year ended November 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 28, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Audit Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Champaign, Illinois
February 28, 2018

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Trustees
Rock Island County Metropolitan Mass Transit District
Moline, Illinois

Report on Compliance for Each Major Federal Program

We have audited Rock Island County Metropolitan Mass Transit District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended November 30, 2017. The District's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs (Schedule 15).

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the District's major federal program based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.



We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended November 30, 2017.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Martin Hood LLC

Champaign, Illinois

February 28, 2018