QUAD CITY GARAGE POLICY GROUP

Rock Island, Illinois

Financial Statements

For the Years Ended

June 30, 2020 and 2019

C O N T E N T S

Martin | Hood

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INDEPENDENT AUDITOR'S REPORT

Board of Members
Quad City Garage Policy Group
Rock Island, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of Quad City Garage Policy Group (the Group), a blended component unit of the Rock Island County Metropolitan Mass Transit District, as of and for the years ended June 30, 2020 and 2019, and the related notes to the 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 financial position of the Group as of June 30, 2020 and 2019, and the changes in financial position and 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 8 and the Schedule of Proportionate Share of the Net Pension Liability – IPERS and Schedule of Contributions – IPERS and the related notes on pages 21 through 23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards,* we have also issued our report, dated September 22, 2020, on our consideration of the Group'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 Group'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 Group's internal control over financial reporting and compliance.

Martin Hood LLC

Champaign, Illinois
September 22, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

About the Financial Statements of Quad City Garage Policy Group

This section of the financial report presents management's discussion and analysis of the financial performance of the Quad City Garage Policy Group (the Group) during the fiscal years ended June 30, 2020, 2019 and 2018. Please read it in conjunction with the Group's financial statements. The financial statements of the Group are presented on an accrual basis. Accounting principles used are similar to principles applicable in the private sector. The Group's basic financial statements consist of the Statements of Net Position; the Statements of Revenues, Expenses, and Changes in Net Position; and the Statements of Cash Flows. These statements are the measures used to evaluate the short-term and long-term outlook of the Group's finances and are used in conjunction with the annual budget, which is the Group's financial plan for the fiscal year.

The Statements of Net Position report the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, as net position. Assets are reported in order of liquidity, or how readily they are expected to be converted to cash, and whether restrictions limit the Group's ability to use the resources. Liabilities are reported based on their maturity, or when cash is expected to be used to liquidate them. Net position is displayed in three components: net investment in capital assets; restricted; and unrestricted. These statements can be found on page 9 of this report.

The Statements of Revenues, Expenses, and Changes in Net Position distinguish between operating and non-operating revenues and expenses. They reconcile net position at the beginning and end of the financial period, explaining the relationship between these statements and the Statements of Net Position. The Statements of Revenues, Expenses and Changes in Net Position can be found on page 10 of this report.

The Statements of Cash Flows provide relevant information about the cash receipts and cash disbursements of the Group during the periods. It categorizes cash activity resulting from operating activities. The total cash generated or used reconciles the prior year cash balance to the current year cash balance as shown on the Statements of Net Position. These statements can be found on page 11 of this report.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 12 through 20 of this report. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. Required supplementary information can be found on pages 4 through 8 and pages 21 through 23.

FY20 Financial Highlights

The Group is showing net operating income for the fiscal years 2020 and 2019 of $29,807 and $25,415, respectively.

FY19 Financial Highlights

The Group is showing net operating income for the fiscal years 2019 and 2018 of $25,415 and $15,945, respectively.

Statements of Net Position

The Statements of Net Position present the assets, deferred outflows of resources, liabilities, and deferred inflows of resources, of the Group similar to the private sector on an accrual basis. Revenues and expenses are recognized when earned and when incurred rather than when cash is received or paid. The difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, represents the net position of the Group. A comparative analysis of the Group's net position is presented below.

Statement of Net Position
As of June 30
(in thousands)

	2020	2019	2018
Current Assets	$ 970.2	$ 619.2	$ 646.3
Deferred Outflows of Resources	130.3	198.8	256.8
Total Assets and Deferred Outflows of Resources	1,100.5	818.0	903.1
Current Liabilities	530.0	179.2	205.2
Non-Current Liabilities	610.1	831.0	922.0
Total Liabilities	1,140.1	1,010.2	1,127.2
Deferred Inflows of Resources	273.5	150.8	144.3
Total Liabilities and Deferred Inflows of Resources	1,413.6	1,161.0	1,271.5
Net Position:			
Unrestricted	$ (313.1)	$ (343.0)	$ (368.4)

FY20 Overall Financial Position

For the year ended June 30, 2020, the Group's total net position increased from ($342,952) to ($313,145). Unrestricted net position used to finance the Group's operations increased by 8.7 percent from ($342,952) to ($313,145). The Group has no restrictions on its net position. This year's increase in net position is illustrated in the Operating Results schedule below.

FY19 Overall Financial Position

For the year ended June 30, 2019, the Group's total net position increased from ($368,367) to ($342,952). Unrestricted net position used to finance the Group's operations increased by 6.9 percent from ($368,367) to ($342,952). The Group has no restrictions on its net position. This year's increase in net position is illustrated in the Operating Results schedule below.

Operating Results
For Year Ended June 30
(in thousands)

	2020	2019	2018
Operating Revenue:			
Sale of Maintenance	$ 3,089.0	$ 3,084.9	$ 3,434.7
Less: Operating Expenses	3,059.1	3,059.5	3,418.8
Increase in Net Position	29.9	25.4	15.9
Net Position, Beginning of Year	(343.0)	(368.4)	(384.3)
Net Position, End of Year	$ (313.1)	$ (343.0)	$ (368.4)

FY20 Change in Net Position Analysis

For the year ended June 30, 2020, the Group's operating revenue increased by $4,027. The Group's revenue is based on a direct reimbursement of expenses. Therefore, the increase in sales is directly attributable to increased need from the Rock Island County Metropolitan Mass Transit District (The District) for labor and parts.

Total operating expenses decreased in the current year by $365. Two of the significant line item increases and/or decreases were as follows:

- Wages and related employee benefits decreased by 1.8 percent from the prior year ($26,996). This was primarily due to staff reductions.
- Materials expense increased 6.1 percent ($49,361). The pandemic required increased use of older buses due to rear door entry which resulted in additional repairs, maintenance and cleaning services. Also, warranties expired on buses that were purchased in the prior year, leading to an increase in parts purchases.

FY19 Change in Net Position Analysis

For the year ended June 30, 2019, the Group's operating revenue decreased by $349,743. The Group's revenue is based on a direct reimbursement of expenses. Therefore, the decrease in sales is directly attributable to decreased need from the Rock Island County Metropolitan Mass Transit District (The District) for labor and parts.

Total operating expenses decreased in the current year by $359,213, or 10.5 percent. A few of the significant line item increases and/or decreases were as follows:

- Wages and related employee benefits decreased by 9.59 percent from the prior year ($158,890). This was primarily due to staff reductions.
- Materials expense decreased 20.72 percent ($212,675), due to newer vehicles added to the fleet for which repairs were covered by warranty.
- Casualty and Liability Insurance expense decreased 42.41 percent ($11,207) as a duplicative property insurance policy was cancelled near the latter part of the prior year.

FY20 Long-Term Debt

The Group's long-term debt, which consists solely of a net pension liability, decreased $220,963 during FY2020. This was due to better than expected return on investments by the pension plan (Iowa Public Employees' Retirement System). Additionally, because of retirements, the Group has a reduced overall share of the plan population (only employees hired before October 2013 participate in the pension plan). Additional details regarding the pension plan are presented in Note 5.

FY19 Long-Term Debt

The Group's long-term debt, which consists solely of a net pension liability, decreased $90,953 during FY2019. The Group participates in the Iowa Public Employees' Retirement System (IPERS). Additional detail regarding IPERS is presented in Note 5.

Economic Trends

The Group anticipates that the District will continue to update its fleet in FY2021. The Group's workforce will continue to be trained and gain experience in the new electric technology as well. The Group expects to retain its current work force and continue to invest in employee training in order to maintain the District's fleet at optimum performance levels, in spite of facing challenges in replacing qualified diesel mechanics. Additionally, the human resource challenges of the COVID-19 pandemic will continue to be managed to optimize the health and safety of the work force while delivering optimum service of the fleet.

Contacting the Group's Management

The financial reports of the Group provide an overview for the public of the financial accountability the Group maintains for the resources received. Further questions concerning this report should be directed to Matt Simaytis, Director of Maintenance, Quad City Garage Policy Group, 4501 4th Avenue, Rock Island, IL 61201.

QUAD CITY GARAGE POLICY GROUP
Statements of Net Position
June 30, 2020 and 2019

	2020	2019
Assets		
Current Assets		
Cash and Cash Equivalents	$ 174,878	$ -
Accounts Receivable - City of Davenport	3,828	-
Accounts Receivable - Employees	389	-
Materials and Supplies Inventory	734,681	590,451
Prepaid Expenses and Other Assets	56,363	28,828
Total Assets	970,139	619,279
Deferred Outflows of Resources		
Pension Related Deferred Outflows	130,323	198,791
Liabilities		
Current Liabilities		
Bank Overdraft	-	15,826
Accounts Payable and Accrued Expenses	160,054	100,795
Unearned Revenue - MetroLINK	369,996	62,569
Total Current Liabilities	530,050	179,190
Noncurrent Liabilities		
Net Pension Liability	610,050	831,013
Total Liabilities	1,140,100	1,010,203
Deferred Inflows of Resources		
Pension Related Deferred Inflows	273,507	150,819
Net Position		
Unrestricted	$ (313,145)	$ (342,952)

See Accompanying Notes

QUAD CITY GARAGE POLICY GROUP
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30, 2020 and 2019

	2020	2019
Operating Revenue		
Revenue From Sale of Maintenance Services	$ 3,088,958	$ 3,084,931
Operating Expenses		
Wages and Related Employee Benefits:		
Wages	986,491	983,901
Group Medical, Life, and Disability Insurance	320,247	333,958
Social Security and Other Payroll Taxes	74,297	75,069
Pensions	51,747	60,535
Worker's Compensation	36,179	43,077
Other	1,206	623
Total Wages and Related Employee Benefits	1,470,167	1,497,163
Other Operating Expenses:		
Materials and Supplies Consumed	862,988	813,627
Contract Services	650,149	671,136
Oil Consumed	56,957	56,170
Casualty and Liability Insurance	14,547	15,218
Lease and Rental	1,611	1,475
Miscellaneous	2,732	4,727
Total Other Operating Expenses	1,588,984	1,562,353
Total Operating Expenses	3,059,151	3,059,516
Net Increase in Net Position	29,807	25,415
Net Position - Beginning of Year	(342,952)	(368,367)
Net Position - End of Year	$ (313,145)	$ (342,952)

See Accompanying Notes

QUAD CITY GARAGE POLICY GROUP
Statements of Cash Flows
For the Years Ended June 30, 2020 and 2019

	2020	2019
Cash Flows From Operating Activities		
Cash Receipts from Customers	$ 3,392,557	$ 3,071,406
Cash Payments to Employees for Services, Including Benefits	(1,484,455)	(1,527,489)
Cash Payments to Suppliers for Goods and Services	(1,717,398)	(1,635,967)
Net Cash Provided by (Used in) Operating Activities	190,704	(92,050)
Cash and Cash Equivalents (Bank Overdraft) - Beginning of Year	(15,826)	76,224
Cash and Cash Equivalents (Bank Overdraft) - End of Year	$ 174,878	$ (15,826)
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities		
Operating Income	$ 29,807	$ 25,415
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used in) Operating Activities:		
Changes in Assets, Liabilities, and Deferred Outflows and Inflows:		
Accounts Receivable - City of Davenport	(3,828)	-
Accounts Receivable - Employees	(389)	-
Materials and Supplies Inventory	(144,230)	(50,253)
Prepaid Expenses and Other Assets	(27,535)	1,077
Pension Related Deferred Outflows	68,468	58,007
Accounts Payable and Accrued Expenses	59,259	(28,308)
Unearned Revenue	307,427	(13,525)
Net Pension Liability	(220,963)	(90,953)
Pension Related Deferred Inflows	122,688	6,490
Net Adjustments	160,897	(117,465)
Net Cash Provided by (Used in) Operating Activities	$ 190,704	$ (92,050)

See Accompanying Notes

1. Nature of Operations and the Reporting Entity

The Quad City Garage Policy Group (the Group) was formed in 1979 by the City of Davenport, Iowa (City of Davenport) and the Rock Island County (Illinois) Metropolitan Mass Transit District (MetroLINK) under Chapters 34, 85, and 127 of the Illinois Revised Statutes and Chapter 28E of the Iowa Code. The purpose of the Group was to oversee and operate a joint maintenance and storage facility for transit revenue vehicles and related equipment for the two local governments. As of June 30, 2015, the City of Davenport discontinued using the services of the Group. The City of Davenport retains representation on the Board of the Group.

The Group is administered by a Board of Members (the Board) that acts as the authoritative and legislative body of the entity. The Board is comprised of three members. Two members are appointed by MetroLINK and one member is appointed by the City of Davenport.

As the Group provides services only to MetroLINK and as MetroLINK appoints the majority of the Group's Board, the Group is considered a blended component unit of MetroLINK effective in the fiscal year end June 30, 2016.

The Group's operations are managed by the Director of Maintenance of MetroLINK with assistance from the Assistant Director of Maintenance of MetroLINK. The Group's operations are housed in a facility located in Rock Island, Illinois at 4501 4th Avenue, that is owned by MetroLINK. The Group is charged no rent for the use of the facility.

2. Summary of Significant Accounting Policies

a. Reporting Entity – In determining the financial reporting entity, the Group complies with the provisions of Government Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34.* For financial reporting purposes, the reporting entity of the Group includes only the operations of the Quad City Garage Policy Group. The reporting entity of the Group was determined based on the oversight responsibility and scope of the public services provided. Oversight responsibility is measured by the extent of financial interdependency, control over the selection of the governing authority and management, ability to significantly influence operations, and accountability for fiscal matters. Based on these criteria, there are no agencies or other units that have been or should be combined into the financial statements of the Group. However, the Group itself is a blended component unit of MetroLINK, which means the Group is operationally a department of MetroLINK, effective starting in fiscal year 2016, due to the operational control MetroLINK assumed with the revision of the Board structure during that fiscal year.

b. Basis of Accounting – The financial statements of the Group are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). 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.*

c. Cash and Cash Equivalents – For purposes of preparing the statements of cash flows, restricted and unrestricted currency, demand deposits, money market accounts, and highly-liquid investments with a maturity of three months or less at issuance are considered cash and cash equivalents. Negative cash balances are presented as Bank Overdraft, which is a short-term liability on the Statement of Net Position.

d. Inventory – Inventory is stated at the lower of cost (weighted average method) or market, and includes items to support the Group's operations. The allowance for obsolete or excess inventory was $0 at June 30, 2020 and 2019.

e. Deferred Outflows of Resources – 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 that time. The Group has one item that qualifies for reporting in this category as of June 30, 2020 and 2019. The item, pension related deferred outflows, consists of unrecognized items not yet charged to pension expense and contributions to the pension from the Group after the measurement date of the net pension liability, June 30, 2019 and 2018, but before the end of the Group's reporting periods of June 30, 2020 and June 30, 2019, respectively. This item will be included in the net pension liability and pension expense calculation in subsequent fiscal years.

f. Deferred Inflows of Resources – 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 Group has one item that qualifies for reporting in this category as of June 30, 2020 and 2019. The item, pension related deferred inflows, consists of unrecognized items not yet applied against pension expense. This item will be included in the net pension liability and pension expense calculation in subsequent fiscal years.

g. Compensated Absences – Employees accumulate vacation hours for subsequent use or for payment upon separation from employment with the Group. The entire accumulated vacation liability has been presented as a current liability by choice of management, rather than as a result of scheduled payout requirements. The liability is included in accounts payable and accrued expenses on the statements of net position, and was $50,448 and $44,919 as of June 30, 2020 and 2019, respectively.

   Two other types of compensated absences that the Group provides are sick leave and holiday hours. Sick leave automatically terminates on the day an employee leaves employment with the Group. However, if an employee retires, he or she is entitled to 70 percent of accumulated sick leave hours in excess of 720 hours up to 2,400 hours, as computed at their straight-time hourly rate at retirement. Holiday hours are lost at the end of the year if not taken. The Group had no vested sick leave liability as of June 30, 2020 or 2019.

h. Net Position – The Group's net position is classified as follows:

- Net Investment in Capital Assets – This represents the Group's total investment in capital assets net of accumulated depreciation and related debt that has been used as of the statement of net position date to finance capital additions. The balance as of June 30, 2020 and 2019 was $0.

- Restricted Net Position – This includes resources that the Group is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties or enabling legislation. The balance as of June 30, 2020 and 2019 was $0.

- Unrestricted Net Position – This includes resources the Group may use at the discretion of the Board to meet current expenses for any purpose.

When unrestricted resources are available to finance expenses for which restricted resources exist, it is the Group's policy to first apply restricted resources to such expenses.

i. Operating Revenue – Operating revenue consists of sales of maintenance services to MetroLINK. Non-operating revenue, if any, generally consists of miscellaneous receipts from sales of obsolete parts, oil recycling, and vending machine income.

j. Pension – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The net pension liability is a significant estimate as discussed in more detail in Note 5.

k. Estimates – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates. The Group's significant estimate at June 30, 2020 is the valuation of the net pension liability and related deferred outflows and deferred inflows.

3. Cash and Cash Equivalents

The Group is authorized to invest excess funds in instruments outlined under Chapter 30, Section 235, of the Illinois Compiled Statutes. Such instruments include obligations of the U.S. Treasury, savings accounts, certificates of deposit, and money market mutual funds.

Custodial Credit Risk – Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Group's deposits may not be returned to it. The Group does not have a formal investment policy. At June 30, 2020, $250,000 of the Group's bank deposits of $262,587, which reconciles to the statement of net position cash and cash equivalents value of $174,878, was insured fully by federal deposit insurance and $12,587 was uninsured and uncollateralized.

4. Long-term Liabilities Activity

The Group had the following long-term liability activity during the fiscal year ended June 30, 2020:

	June 30, 2019	Additions	Deletions	June 30, 2020	Due Within One Year
Liability:					
Compensated Absences	$ 44,919	$ 60,526	$ 54,997	$ 50,448	$ 50,448
Net Pension Liability	831,013	(145,277)	75,686	610,050	-
Total	$ 875,932	$ (84,751)	$ 130,683	$ 660,498	$ 50,448

The Group had the following long-term liability activity during the fiscal year ended June 30, 2019:

	June 30, 2018	Additions	Deletions	June 30, 2019	Due Within One Year
Liability:					
Compensated Absences	$ 42,767	$ 57,844	$ 55,692	$ 44,919	$ 44,919
Net Pension Liability	921,966	(2,816)	88,137	831,013	-
Total	$ 964,733	$ 55,028	$ 143,829	$ 875,932	$ 44,919

5. Pension and Retirement Benefits

Plan Description – Employees of the Group hired before October 2013 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 2020, pursuant to the required rate, regular members contributed 6.29 percent of pay and the Group contributed 9.44 percent for a total rate of 15.73 percent. In fiscal year 2019, regular members contributed 5.95 percent of pay and the Group contributed 9.44 percent for a total rate of 15.39 percent. The Group's total contributions to IPERS for the years ended June 30, 2020 and 2019 were $63,287 and $75,686, respectively.

<u>Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions</u> – At June 30, 2020 and 2019, the Group reported a liability of $610,050 and $831,013, respectively, for its proportionate share of the net pension liability. The net pension liability at June 30, 2020 and 2019 was measured as of June 30, 2019 and 2018, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. 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, 2019, the Group's collective proportion was .010465 percent, which was a decrease of .002671 percent from its proportion of .013136 percent measured as of June 30, 2018.

For the years ended June 30, 2020 and 2019, the Group recognized IPERS pension expense of $31,316 and $49,230, respectively, which is included in Pensions operating expense on the statement of revenues, expenses, and changes in net position along with other non-IPERS pension expense incurred by the Group and described in Note 6.

At June 30, 2020, the Group reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	$ 1,691	$ 21,934
Changes of Assumptions	65,345	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	68,745
Changes in Proportion and Difference Between Group Contributions and Proportionate Share of Contributions	-	182,828
Group Contributions Subsequent to the Measurement Date	63,287	-
Total	$ 130,323	$ 273,507

The $63,287 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended June 30,		
2021	$	(61,319)
2022		(78,862)
2023		(38,083)
2024		(25,335)
2025		(2,872)
Total	$	(206,471)

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, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (Effective June 30, 2017)	2.6 percent per annum
Rates of Salary Increases (Effective June 30, 2017)	3.25 to 16.25 percent, average, including inflation. Rates vary by membership group
Long-term Investment Rate of Return (Effective June 30, 2017)	7 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2019 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 2014 to 2017, and was reported in June 2018.

Mortality rates were based on the RP-2014 generational mortality tables with age setbacks and set forwards.

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	L-T Expected Real Rate of Return
U.S. Equity	22.00%	5.60%
Non U.S. Equity	15.00%	6.08%
Private Equity	11.00%	10.13%
Real Estate	7.00%	2.81%
Core Plus Fixed Income	27.00%	1.71%
Global Smart Beta Equity	3.00%	5.82%
Credit Opportunities	3.50%	3.32%
TIPS	3.00%	3.01%
Other Real Estate	7.50%	4.76%
Cash	1.00%	-0.21%
Total	100.00%	

Discount Rate – The discount rate used to measure the total pension liability was 7 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 and the municipal rate of return of 3.50 percent was not used.

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 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 one percentage point lower (6 percent) or one percentage point higher (8 percent) than the current rate.

	1% Decrease (6%)	Discount Rate Used (7%)	1% Increase (8%)
Group's Proportionate Share of of the Net Pension Liability	$ 1,083,253	$ 610,050	$ 213,134

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, 2020 and 2019, the Group reported payables to the defined benefit pension plan of $4,466 and $5,335, respectively, for legally required employer contributions and $2,977 and $3,554, respectively, for legally required employee contributions, which had been withheld from employee wages but not yet remitted to IPERS.

6. Retirement Plan

Full-time and part-time employees hired after September 2013 participate in the Group's contributory retirement plan, which is administered by an unrelated third party, rather than the pension plan described in Note 5. The plan requires an employer nondiscretionary contribution of 5 percent of gross earnings per pay period. The plan requires employees to contribute 5 percent of gross earnings with the Group making a matching contribution of 3 percent of an employee's gross earnings. All plan contributions are vested immediately. Expense incurred by the Group for this retirement plan for the years ended June 30, 2020 and 2019 was $20,431 and $11,305, respectively, which is included in Pensions operating expense on the statement of revenues, expenses, and changes in net position along with the IPERS pension expense incurred by the Group and described in Note 5.

7. Related-Party Transactions

The Group's operating revenue for the years ended June 30, 2020 and 2019 was earned entirely from MetroLINK, one of the Group's joint owners. At June 30, 2020 and 2019, the Group had accounts receivable of $3,828 and $0, respectively due from the City of Davenport, one of the Group's joint owners. At June 30, 2020 and 2019, the Group had unearned revenue resulting from the excess of estimated payments versus earned revenue in the amount of $369,996 and $62,569, respectively, for MetroLINK.

8. Risk of Loss

Significant losses are covered by commercial insurance for property, liability, and worker's compensation. During 2020 and 2019, there were no significant reductions in coverage. Also, there have been no settlement amounts that have exceeded insurance coverage in the past three years.

9. Uncertainty

As of June 30, 2020, local, U.S. and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating temporary work stoppage in many sectors and imposing limitations on travel and the size and duration of group meetings. Most industries are experiencing disruption to business operations and the impact of reduced consumer spending. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Accordingly, while management cannot quantify the financial and other impact to the Group as of the date of the independent auditor's report, management believes that a material impact on the Group's financial position and results of future operations is reasonably possible.

QUAD CITY GARAGE POLICY GROUP
Schedule of Proportionate Share of the Net Pension Liability
Iowa Public Employees' Retirement System
Last Ten Fiscal Years

Required Supplementary Information
(Unaudited)

	2020	2019	2018	2017	2016	2015	2014
Group's Proportion of the Net Pension Liability (Asset)	0.0104650%	0.0131360%	0.0139660%	0.0145890%	0.0152927%	0.0176922%	0.0192930%
Group's Proportionate Share of the Net Pension Liability	$ 610,050	$ 831,013	$ 921,966	$ 909,812	$ 760,265	$ 716,019	$ 1,092,365
Group's Covered Payroll	$ 801,760	$ 986,978	$ 1,033,143	$ 1,037,474	$ 1,054,250	$ 1,181,399	$ 1,247,798
Group's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	76.09%	84.20%	89.24%	87.69%	72.11%	60.61%	87.54%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.38%	82.57%	81.23%	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.

QUAD CITY GARAGE POLICY GROUP
Schedule of Contributions
Iowa Public Employees' Retirement System
Last Ten Fiscal Years

Required Supplementary Information
(Unaudited)

	2020	2019	2018	2017	2016	2015	2014	2013	2012
Statutorily Required Contribution	$ 61,124	$ 75,686	$ 88,137	$ 92,259	$ 92,647	$ 94,145	$ 105,499	$ 108,184	$ 103,305
Contributions in Relation to the Statutorily Required Contribution	61,124	75,686	88,137	92,259	92,647	94,145	105,499	108,184	103,305
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Group's Covered Payroll	$ 647,499	$ 801,760	$ 986,978	$ 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	9.44%	9.44%	8.93%	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.

Changes of Benefit and Funding Terms:

The following changes were made in the valuation performed as of June 30, 2019:

No changes

Changes of Actuarial Assumptions:

The following changed were made in the valuation performed as of June 30, 2019:

No changes

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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 Members
Quad City Garage Policy Group
Rock Island, 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 Quad City Garage Policy Group (the Group), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Group's basic financial statements and have issued our report thereon dated September 22, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Group's internal control over financial reporting (internal control) as a basis for designing 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 Group's internal control. Accordingly, we do not express an opinion on the effectiveness of the Group'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 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 Group'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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

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 Group'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 Group's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Martin Hood LLC

Champaign, Illinois
September 22, 2020