ROCK ISLAND COUNTY METROPOLITAN
MASS TRANSIT DISTRICT

Moline, Illinois

Financial Statements
and Supplementary Information

For the Years Ended

November 30, 2018 and 2017

C O N T E N T S

SUPPLEMENTARY INFORMATION

ILLINOIS DEPARTMENT OF TRANSPORTATION

REPORT ON FEDERAL AWARDS

ADDITIONAL REPORTS REQUIRED UNDER *GOVERNMENT AUDITING STANDARDS* AND THE UNIFORM GUIDANCE

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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, 2018 and 2017, 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, 2018 and 2017, 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 6 on pages 49 to 56 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 7 through 11 are presented for the purpose of additional analysis. The accompanying Schedules 12 through 14 are presented for purposes of additional analysis as required by the Illinois Department of Transportation. The accompanying Schedules 15 through 17, 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 7 through 17 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 26, 2019, 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.

Martin Hood LLC

Champaign, Illinois
February 26, 2019

ROCK ISLAND COUNTY METROPOLITAN MASS TRANSIT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Years Ended November 30, 2018 and 2017

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 62 transit buses (10 diesel, 3 electric and 49 compressed natural gas), 12 paratransit vehicles for STS services, 7 handicapped-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. Complete operational services for PTS and STS dispatching 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)

	FY18	FY17	FY16
Current and Other Assets	$13,919	$13,409	$15,111
Capital Assets	78,964	75,599	69,495
Total Assets	92,883	89,009	84,606
Deferred Outflows of Resources	1,133	2,843	3,402
Current and Other Liabilities	3,120	4,106	6,159
Noncurrent liabilities	1,773	3,235	7,665
Total liabilities	4,893	7,341	13,824
Deferred Inflows of Resources	6,134	4,442	4,307
Net Position:			
District			
Net Invested in Capital Assets	78,335	75,599	64,308
Restricted for:			
Insurance	1,752	1,625	1,543
Employee Benefits	1,275	1,090	840
Other Tax Levies	11	9	7
Unrestricted	1,893	2,029	3,477
Total District Net Position	83,266	80,352	70,175
Noncontrolling Interest in Net Position of Blended Component Unit	-277	-284	-298
Total Net Position	$82,989	$80,068	$69,877

<u>FY18 Net Position Analysis</u>

For the year ended November 30, 2018, the District's Net Position increased by 3.63% ($83,266 thousand compared to $80,352 thousand). The increase of $2,914 thousand in total District 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.

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.

Table 2
Changes in Net Position (000's)

	FY18	FY17	FY16
Operating Revenues			
Passenger Fares	$1,267	$1,230	$1,262
Other Transportation Revenue	249	233	256
Other	341	310	223
Total Operating Revenue	1,857	1,773	1,741
Operating Expenses Before Depreciation	19,066	18,047	18,997
Depreciation	3,675	3,726	2,921
Deficit from Operations	-20,884	-20,000	-20,177
Non-Operating Revenues (Expenses)			
Property Taxes	3,926	3,780	3,725
Investment	25	2	2
State/Federal Operating Assistance	13,494	16,249	14,548
Other	-22	-95	249
Total Non-Operating Revenue (Expense)	17,423	19,936	18,524
Net Income (Loss) Before Capital Contributions	-3,461	-64	-1,652
Capital Contributions	6,437	10,255	5,480
Net Increase (Decrease) in Net Position	2,976	10,191	3,827
Less: Noncontrolling Interest of Blended Component Unit Net Increase (Decrease) in Net Position	7	14	29
District Net Increase (Decrease) in Net Position	2,969	10,177	3,798
Cumulative Effect of Adoption of GASB 75	-55	0	0
District Net Position – Beginning of Year	80,352	70,175	66,377
District Net Position – End of Year	$83,266	$80,352	$70,175

FY18 Change in Net Position Analysis

For the year ended November 30, 2018, the District's Operating Revenue increased by 4.7% ($84 thousand). Fare Revenue increased 3% over the prior year.

Operating Expenses before Depreciation increased 5.65% ($1,019 thousand) in FY18 from FY17. The significant expense category variances were as follows: Materials & Supplies increased 23.6% ($371 thousand) due to the loss of alternative fuel credits program previously offered in 2017 by the federal government; Insurance increased 21.1% ($111 thousand) due to a decreased amount collected as reimbursement for property damage; Purchased Transportation decreased 13.7% ($136 thousand) primarily due to a new operational contract for Channel Cat River Taxi services; Lease Expense decreased 14% ($32 thousand) due to the end of a bus lease in the prior year associated with the Bettendorf routes. The other variances in expense categories from the prior year were insignificant.

Total Non-Operating Revenues decreased by 12.6% ($2,513 thousand). The primary reason for this decrease was that total Operating Assistance decreased 17% ($2,755 thousand) from the prior year. This was largely because State Operating assistance in the prior year was higher due to the District's repayment of a capital loan and because more federal operating assistance was drawn in the prior year. The decrease was offset by: Investment revenue increased 1280% ($23 thousand) due to increased interest rates, property taxes increased 3.9% ($147 thousand) due to levy increases, and other non-operating items increased from the prior year by 75.4% ($71 thousand) primarily due to less interest expense associated with the earlier referenced loan that was paid off in 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.

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.

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	$1,243	$1,267
Other Transportation Revenue	226	249
Other Operating Revenue	551	336
Total Operating Revenue	**2,020**	**1,852**
Wages	7,526	7,465
Fringes	5,100	4,796
Fuel	871	716
Materials & Supplies	1,271	1,232
Utilities	454	390
Casualty/Liability and Losses	697	569
Purchased Transportation	987	859
Leases	228	198
Miscellaneous	3,011	2,767
Total Operating Expenses without Depreciation	**20,145**	**18,992**
Depreciation	**4,127**	**3,675**
Investment Income	0	25
Interest Expense	-51	-17

Property Taxes	3,904	3,927
Equity in QCGPG	0	9
Government Grants & Assistance	14,379	13,495
Gain (Loss) on Disposal of Assets	0	-6
Total Non-Operating Revenue	**18,232**	**17,433**
Net Income (Loss) Before Capital Contributions	**-$4,020**	**-$3,382**

Budgetary Analysis

The District's actual resources available for appropriations for the year, excluding capital contributions, were 15.87% ($638 thousand) more than budgeted. Total Operating Revenue was 8.3% ($168 thousand) less than budgeted and Operating Expenses before Depreciation were 5.7% ($1,153 thousand) less than budgeted, primarily due to lower fuel and services cost. Non-operating Revenue was 4.4% ($799 thousand) lower than budgeted, primarily due to less operating assistance received as a result of decreased operating expenses.

The overall effect was that the District's net loss was less than budgeted.

Capital Assets

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

	FY18	FY17	FY16
Land	$ 969	$ 969	$ 969
Intangible Assets	315	315	315
Buses Low Floor	0	0	1,559
STS/PTS Buses & Vans	1,503	1,688	1,618
Buses - 15 passenger	0	0	97
Buses – CNG	0	0	21,573
Buses - 2003 New Flyers	0	0	2,164
Large Buses/Fixed Route	28,564	23,545	0
Spare Parts	0	0	1
Channel Cat Boats	568	568	568
Automobiles	297	393	205
Tram	70	70	70
Passenger Amenities / Shelters	4,036	4,106	3,882
Radios	0	81	81
Camera Equipment	1,087	1,026	1,016
Fare Boxes	352	352	352
Computer Equipment	749	756	756
AVLS System	2,993	2,993	2,747
CNG Fueling Station	3,302	3,215	3,215
Access Control System	92	92	92
Office Equipment	280	280	280
Buildings	39,547	39,334	39,334
Shop Equipment	164	121	111
Service Truck	0	0	79
Parts Truck	0	0	11
STS Building	404	404	404
Community Transit Centre (CTC)	8,469	8,474	8,474
EM Transfer Facility	2,284	2,284	2,284
Web Site	58	74	74
Rights of way/Improvements	161	161	161
Leased Batteries	690	0	0
CIP – Multi-modal Facility	0	14,379	5,349
CIP – Feasibility Corridor Study	35	0	0
CIP – Ferryboat Terminal	16	0	0
Asset Held for Distribution	14,196	0	0
	111,201	**105,679**	**97,841**
Accumulated Depreciation	-32,237	-30,080	-28,346
Capital Assets - Net	**$ 78,964**	**$ 75,599**	**$ 69,495**

FY18 Capital Assets - Analysis

A comparative analysis of the changes in the District's capital assets for the year ended November 30, 2018 is presented in Table 4. Total capital assets increased by 5.2% ($5,522 thousand). The capital investments were as follows: three paratransit vehicles, ten fixed route buses (three electric, and seven CNG fueled buses), addition of electrical capacity and installation of charging stations for electric buses, upgrades to the existing camera surveillance equipment, and upgrades to the Moline fueling station. Accumulated depreciation increased 7% ($2,157 thousand), which was the accumulated effect of normal depreciation in addition to the new assets mentioned earlier. 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 FY18 of 4.4% ($3,365 thousand). Additional information on the District's capital assets can be found in Note 6 of this report.

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.

Debt Management

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

	FY18	FY17	FY16
Notes Payable	$ -	$ -	$ 5,191
Capital Lease Liability	621	-	-
Net Pension Liability	922	2,988	3,506
OPEB Obligation	150	44	39
Accrued Sick Leave	206	203	201
Total	$ 1,899	$ 3,235	$ 8,937

Debt Management – FY18 Debt Analysis

The District's total outstanding debt as of November 30, 2018, decreased 41% ($1,336 thousand) from November 30, 2017. This was primarily due a pension liability decrease, as per Government Accounting Standards Board (GASB) Statement 68 netted with an adjustment to Other Post-Employment Benefits per GASB Statement 75 (see Note 8). Additionally, a new capital lease liability for the batteries on the three new electric buses was netted with these adjustments for the overall decrease.

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.

Economic Trends

For the year ending November 30, 2019, the District will continue to optimize the fuel performance of the fleet through mixed use of CNG and electric-powered buses. There will be an addition of five new electric buses in April 2019. The State Operating Appropriation for FY19 (July 2018 to June 2019) increased 10% from FY18. 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 FY19 are the delivery of five electric buses and associated charging equipment, a new dock for the John Deere Commons ferryboat stop, and updated 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 projected 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, 2018 and 2017

	2018	2017
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 2,424,129	$ 1,209,725
Restricted Assets		
Cash and Cash Equivalents for Insurance and Employee Benefits	2,935,850	2,622,778
Property Taxes Receivable	102,298	101,201
Receivables		
Property Taxes Receivable	3,500,724	3,739,295
Accounts Receivable, Net of Allowance	182,212	133,540
Federal and State Grants Receivable	687,485	957,873
Due from Other Governments	1,572,749	2,645,351
Prepaid Expenses	380,470	475,034
Inventory	574,494	573,282
Total Current Assets	12,360,411	12,458,079
Noncurrent Assets:		
Cash and Cash Equivalents - Designated Funds	12,360	951,458
Capital Assets		
Not Being Depreciated	1,335,114	15,662,339
Being Depreciated		
Property and Equipment	95,669,546	90,016,594
Accumulated Depreciation	(32,237,030)	(30,080,301)
Held for Distribution	14,196,792	-
Net Pension Asset - IMRF	1,546,158	-
Total Noncurrent Assets	80,522,940	76,550,090
Total Assets	92,883,351	89,008,169
DEFERRED OUTFLOWS OF RESOURCES		
Pension Related Deferred Outflows	1,101,952	2,843,090
OPEB Related Deferred Outflows	31,066	-
Total Deferred Outflows of Resources	1,133,018	2,843,090

See Accompanying Notes

ROCK ISLAND COUNTY METROPOLITAN MASS TRANSIT DISTRICT
Statements of Net Position
November 30, 2018 and 2017

	2018	2017
LIABILITIES		
Current Liabilities:		
Accounts Payable	473,582	1,265,736
Accrued Payroll and Payroll Taxes	292,036	345,626
Accrued Leave	195,293	184,443
Due to Other Governments	2,006,353	2,283,187
Unearned Other Revenue	27,333	27,333
Capital Lease Liability	125,594	-
Total Current Liabilities	3,120,191	4,106,325
Noncurrent Liabilities:		
Accrued Leave - Net of Current	206,068	202,658
Capital Lease Liability - Net of Current	495,414	-
Net Pension Liability - IPERS (2018)/IMRF & IPERS (2017)	921,966	2,987,654
OPEB Liability	149,727	44,560
Total Noncurrent Liabilities	1,773,175	3,234,872
Total Liabilities	4,893,366	7,341,197
DEFERRED INFLOWS OF RESOURCES		
Unearned Property Taxes	3,449,620	3,707,119
Pension Related Deferred Inflows	2,684,327	735,234
Total Deferred Inflows of Resources	6,133,947	4,442,353
NET POSITION		
District		
Net Investment in Capital Assets	78,335,442	75,598,632
Restricted:		
Tax Levy Restrictions:		
Liability Insurance	1,752,411	1,625,408
Employee Benefits	1,275,183	1,089,533
Other Tax Levy Restrictions	10,554	9,038
Unrestricted	1,892,844	2,029,173
Total District Net Position	83,266,434	80,351,784
Noncontrolling Interest in Net Position of Blended Component Unit	(277,378)	(284,075)
Total Net Position	$ 82,989,056	$ 80,067,709

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, 2018 and 2017

	2018	2017
Operating Revenue		
Passenger Fares	$ 1,266,926	$ 1,229,933
Other Transportation Revenue	248,974	232,816
Other Operating Revenue	340,906	310,748
Total Operating Revenue	1,856,806	1,773,497
Operating Expenses		
Labor and Benefits	12,256,298	11,729,651
Professional Services	2,499,771	2,359,933
Materials and Supplies	1,944,393	1,573,423
Utilities	389,805	371,704
Insurance	638,722	527,531
Purchased Transportation	859,154	995,401
Leases	197,509	229,717
Miscellaneous	280,108	260,004
Depreciation	3,674,991	3,726,413
Total Operating Expenses	22,740,751	21,773,777
Operating Income (Loss)	(20,883,945)	(20,000,280)
Non-Operating Revenue (Expenses)		
Investment Income	25,491	1,992
Interest Expense	(17,290)	(85,833)
Amortization of Loss on Refunding	-	(3,468)
Property Taxes		
Levied	3,742,389	3,576,999
Replacement	166,904	186,317
Payments in Lieu of Taxes	17,086	16,245
Government Grants and Assistance		
State Operating Assistance	12,147,335	14,617,532
Federal Operating Assistance	1,347,200	1,631,753
Gain (Loss) on Disposal of Assets	(5,931)	(12,474)
Warranty Income	-	7,440
Total Non-Operating Revenue (Expenses)	17,423,184	19,936,503
Net Income (Loss) Before Capital Contributions	(3,460,761)	(63,777)
Capital Contributions		
State Capital Assistance	2,740,200	2,008,031
Federal Capital Assistance	3,696,361	8,246,709
Total Capital Contributions	6,436,561	10,254,740
Net Increase (Decrease) in Net Position	2,975,800	10,190,963
Less: Noncontrolling Interest of Blended Component Unit Net Increase (Decrease) in Net Position	6,697	14,163
District Net Increase (Decrease) in Net Position	2,969,103	10,176,800
District Net Position - Beginning of Year, As Previously Reported	80,351,784	70,174,984
Cumulative Effect of Adoption of GASB Statement 75 for OPEB	(54,453)	-
District Net Position - Beginning of Year, As Restated	80,297,331	70,174,984
District Net Position - End of Year	$ 83,266,434	$ 80,351,784

See Accompanying Notes

ROCK ISLAND COUNTY METROPOLITAN MASS TRANSIT DISTRICT
Statements of Cash Flows
For the Years Ended November 30, 2018 and 2017

	2018	2017
Cash Flows From Operating Activities		
Cash Received for Passenger Fares	$ 1,218,254	$ 1,215,754
Cash Received From Special Transit Services and Advertising Income	248,974	232,816
Rent and Other Receipts	210,134	127,754
Wages Paid to Employees	(9,146,874)	(8,625,006)
Payments to Suppliers for Goods and Services	(9,874,725)	(9,874,982)
Net Cash Provided by (Used in) Operating Activities	(17,344,237)	(16,923,664)
Cash Flows From Non-Capital Financing Activities		
Operating Grant Proceeds		
State of Illinois	11,870,501	20,707,313
Federal Transit Administration	1,267,912	2,416,661
Property and Income Taxes Received	3,906,354	3,784,166
Principal Advances on Line of Credit	-	450,000
Principal Payments on Line of Credit	-	(760,383)
Interest Payments on Line of Credit	-	(3,851)
Net Cash Provided by (Used in) Non-Capital Financing Activities	17,044,767	26,593,906
Cash Flows From Capital and Related Financing Activities		
Capital Grant Proceeds		
State of Illinois	3,147,964	1,431,944
Federal Transit Administration	3,481,442	8,554,776
Principal Payments on Term Loans	-	(4,880,988)
Interest Payments on Term Loans	-	(82,263)
Principal Payments on Capital Lease	(68,992)	-
Interest Payments on Capital Lease	(17,290)	-
Cash Received from Other Income	-	7,440
Capital Asset Expenditure Due from Moline	790,282	(790,282)
Purchase and Construction of Capital Assets	(6,471,049)	(9,326,545)
Net Cash Provided by (Used in) Capital and Related Financing Activities	862,357	(5,085,918)
Cash Flows From Investing Activities		
Interest Received	25,491	1,992
Net Cash Provided by (Used in) Investing Activities	25,491	1,992
Increase (Decrease) in Cash and Cash Equivalents	588,378	4,586,316
Cash and Cash Equivalents - Beginning of Year	4,783,961	197,645
Cash and Cash Equivalents - End of Year	$ 5,372,339	$ 4,783,961
Presented on the Statement of Net Position as Follows:		
Cash and Cash Equivalents	$ 2,424,129	$ 1,209,725
Cash and Cash Equivalents for Insurance and Employee Benefits	2,935,850	2,622,778
Cash and Cash Equivalents - Designated Funds	12,360	951,458
Cash and Cash Equivalents - End of Year	$ 5,372,339	$ 4,783,961

See Accompanying Notes

ROCK ISLAND COUNTY METROPOLITAN MASS TRANSIT DISTRICT
Statements of Cash Flows
For the Years Ended November 30, 2018 and 2017

	2018	2017
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities		
Operating Income (Loss)	$ (20,883,945)	$ (20,000,280)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities		
Depreciation	3,674,991	3,726,413
Changes in Assets and Liabilities:		
Accounts Receivable	233,648	(246,669)
Prepaid Expenses	90,639	(64,873)
Inventory	2,713	(26,245)
Pension Related Deferred Outflows	1,741,138	555,504
OPEB Related Deferred Outflows	11,741	-
Accounts Payable	(437,877)	(293,936)
Other Liabilities	(83,109)	1,626
Accrued Wages and Benefits	(83,890)	(9,299)
Net Pension Asset	(3,611,846)	(518,389)
Net OPEB Liability	52,467	-
Pension Related Deferred Inflows	1,949,093	(47,516)
Net Adjustments	3,539,708	3,076,616
Net Cash Provided by (Used in) Operating Activities	$ (17,344,237)	$ (16,923,664)
Noncash Capital and Related Financing Activities		
Capital Assets Donated by Grants	$ 156,831	$ 295,835
Capital Assets Acquired through Capital Lease	$ 690,000	$ -

See Accompanying Notes

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, 2018 and 2017 are from the Group's fiscal years ended June 30, 2018 and 2017. 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.

For the year ended November 30, 2018, the District adopted Governmental Accounting Standards Board (GASB) Statement Number 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The adoption of this standard caused the District to record a cumulative adjustment to November 30, 2017 net position representing the initial liability for postemployment benefits other than pensions and the related deferred outflows. The District also adopted GASB Statement Number 89, *Accounting for Interest Costs Incurred before the End of a Construction Period.* The adoption of this standard had no impact on the District's financial statements.

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 $659 and $467 are included for fiscal years 2018 and 2017, respectively, for general accounts receivable. At November 30, 2018 and 2017, 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 2018 property taxes are not due and collectible until June 2019 and are intended to finance the operations of fiscal year 2019, they are not considered earned as of November 30, 2018 and are, therefore, shown as unearned revenue and will be recognized as revenue in fiscal year 2019.

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 $10,000 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:

	Years
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
Electric Bus Batteries	5
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, pension related deferred outflows and other postemployment benefits (OPEB) related deferred outflows, are reported in the Statement of Net Position. 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, 2017 and 2016, but before the end of the District's reporting periods of November 30, 2018, and 2017, respectively. This item will be included in the net pension liability or asset and pension expense calculation in subsequent fiscal years. The OPEB related deferred outflow consists of unrecognized items not yet charged to OPEB expense. This item will be included in the net OPEB liability and OPEB 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 credited 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.

l. 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, 2018 include the allowance for uncollectible receivables, useful lives of capital assets, valuation of the liability or asset for pensions, valuation of the liability for OPEB, and the allowable expenses charged to grants.

3. Deposits and Investments

The District's investment policy permits the District to invest in instruments allowed by Illinois Compiled Statues (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 statues 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:

	2018		2017	
	Bank Balance	Carrying Value	Bank Balance	Carrying Value
Cash				
Checking and Savings	$ 467,149	$ 213,893	$ 1,691,937	$ 1,564,975
Petty Cash	-	960	-	1,060
Cash Equivalents				
Money Market	1,580,943	1,580,943	1,917,926	1,917,926
Certificate of Deposit	577,015	577,015	1,300,000	1,300,000.00
Treasury Bills	2,999,528	2,999,528	-	-
Total	$ 5,624,635	$ 5,372,339	$ 4,909,863	$ 4,783,961

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, 2018, $5,194,846 of the District's $5,624,635 bank balance, which reconciles to a financial statement balance of $5,372,339, was exposed to custodial credit risk. The $5,194,846 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.

4. Due from and Due to Other Governments

The District had the following amounts due from and due to other governments at November 30, 2018 and 2017:

	2018	2017
Due from Other Governments:		
State of Illinois - Department of Transportation		
State Fiscal Year 2017 Operating Grant	$ 489,352	$ 489,352
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
Due from Other Governments	$ 1,572,749	$ 2,645,351
Due to Other Governments:		
State of Illinois - Department of Transportation		
State Fiscal Year 2019 Operating Grant	$ 1,119,593	$ -
State Fiscal Year 2018 Operating Grant	55,388	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
Due to Other Governments	$ 2,006,353	$ 2,283,187

5. Blended Component Unit Condensed Financial Information

As discussed in Note 1, the District’s financial statements for the years ended November 30, 2018 and 2017 include the Group’s financial activity and balances for the Group’s fiscal years ended June 30, 2018 and 2017, with applicable eliminations of activity and balances between the District and the Group.

Following is condensed financial information taken from the Group's audited financial statements for the fiscal years ended June 30, 2018 and 2017:

Condensed Statements of Net Position

	2018	2017
Assets		
Current Assets	$ 646,327	$ 650,803
Deferred Outflows of Resources	256,798	356,388
Liabilities		
Current		
Unearned Revenue from the District	76,094	81,061
Other Current Liabilities	129,103	128,610
Non-Current	921,966	909,812
Total Liabilities	1,127,163	1,119,483
Deferred Inflows of Resources	144,329	272,020
Net Position		
Unrestricted	(368,367)	(384,312)
Total Net Position	$ (368,367)	$ (384,312)

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

	2018	2017
Operating Revenue		
Revenue from the District	$ 3,434,674	$ 3,385,088
Other Operating Revenue	-	21,318
Total Operating Revenue	3,434,674	3,406,406
Operating Expenses	3,418,729	3,372,684
Operating Income (Loss)	15,945	33,722
Non-Operating Income (Loss)	-	-
Net Increase (Decrease) in Net Position	15,945	33,722
Net Position - Beginning of the Year	(384,312)	(418,034)
Net Position - End of the Year	$ (368,367)	$ (384,312)

Condensed Statements of Cash Flows

	2018	2017
Net Cash Provided by (Used in)		
Operating Activities	$ 22,165	$ (276,556)
Cash and Cash Equivalents - Beginning of Year	54,059	330,615
Cash and Cash Equivalents - End of Year	$ 76,224	$ 54,059

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, 2018 was a net unearned revenue from the District of $42,758 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, 2018 and November 30, 2018 resulted in the Group's cash and unearned revenue from the District decreasing significantly and accounts payable increasing. 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 balance presented in the consolidated financial statements for November 30, 2017.

6. Capital Assets

Capital asset activity for the year ended November 30, 2018 was as follows:

	November 30, 2017	Additions and Adjustments	Disposals and Adjustments	November 30, 2018
Used in Operations				
Not Being Depreciated:				
Land	$ 968,797	$ -	$ -	$ 968,797
Intangible Assets	315,000	-	-	315,000
Construction in Progress	14,378,542	51,318	14,378,543	51,317
Total Not Being Depreciated	15,662,339	51,318	14,378,543	1,335,114
Being Depreciated:				
Buildings and Improvements	54,763,192	265,467	127,313	54,901,346
Vehicles	26,264,056	5,458,797	721,515	31,001,338
Equipment	8,989,346	1,457,906	680,390	9,766,862
Total Being Depreciated	90,016,594	7,182,170	1,529,218	95,669,546
Total Cost	105,678,933	7,233,488	15,907,761	97,004,660
Less: Accumulated Depreciation				
Buildings and Improvements	8,583,050	1,655,286	457,321	9,781,015
Vehicles	15,644,514	1,461,492	380,550	16,725,456
Equipment	5,852,737	558,213	680,391	5,730,559
Total Accumulated Depreciation	30,080,301	3,674,991	1,518,262	32,237,030
Total Capital Assets Used in Operations	75,598,632	3,558,497	14,389,499	64,767,630
Held for Distribution				
Buildings and Improvements	-	14,378,543	181,751	14,196,792
Net Capital Assets	$ 75,598,632	$ 17,937,040	$ 14,571,250	$ 78,964,422

Included in Held for Distribution at November 30, 2018 and Construction in Progress at November 30, 2017 is $14,196,792 and $14,378,542, respectively, related to an asset that will be turned over to the City of Moline, Illinois, once a formal agreement is made, which is projected in fiscal year 2019.

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	6,632,860	9,029,479	-	15,662,339
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	91,208,241	26,528,776	27,720,423	90,016,594
Total Cost	97,841,101	35,558,255	27,720,423	105,678,933
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	28,345,798	3,726,413	1,991,910	30,080,301
Net Capital Assets	$ 69,495,303	$ 31,831,842	$ 25,728,513	$ 75,598,632

Included in Construction in Progress at November 30, 2017 and 2016 is $14,378,542 and $5,349,063, respectively, related to an asset that will be turned over to the City of Moline, Illinois, once a formal agreement is made, which is projected in fiscal year 2019.

Depreciation for transit operations for the years ended November 30, 2018 and 2017 was $3,674,991 and $3,726,413, respectively.

7. Notes Payable

Line of Credit

The District has a $3,000,000 bank operating line of credit that bears interest at 4.017 percent, payable monthly, and is secured by all the District's assets. This operating line of credit expires May 2019. The District utilizes the line of credit for operating purposes. Outstanding amounts were $0 at both November 30, 2018 and 2017.

Long-Term Obligation Summary

The following is a summary of changes to the District's long-term debt for the fiscal year 2018:

	November 30, 2017 As Restated	Issued	Retired	November 30, 2018	Due Within One Year
OPEB Liability	$ 141,820	$ 9,973	$ 2,066	$ 149,727	$ -
Net Pension Liability-IMRF	2,077,842	(1,350,559)	727,283	-	-
Net Pension Liability-IPERS	909,812	104,413	92,259	921,966	-
Accrued Sick Leave	202,658	9,541	6,131	206,068	-
Capital Lease Liability	-	681,372	60,364	621,008	125,594
Totals	$ 3,332,132	$ (545,260)	$ 888,103	$ 1,898,769	$ 125,594

See Note 16 regarding the restatement made to the November 30, 2017 long-term obligation balance.

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 Liability	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	$ 8,937,049	$ 2,390,805	$ 8,092,982	$ 3,234,872	$ -

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, 2017, the following employees were covered by the benefit terms:

Retirees and Beneficiaries currently receiving benefits	85
Inactive Plan Members entitled to but not yet receiving benefits	54
Active Plan Members	134
Total	273

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 2017 and 2018 were 10.05 percent and 9.06 percent, respectively. For the fiscal years ended November 30, 2018 and 2017, the District contributed $880,034 and $778,171, respectively, 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, 2017. 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, 2017:

- 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 2.50 percent.
- Salary Increases were expected to be 3.39 percent to 14.25 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 2017 valuation pursuant to an experience study for the period 2014-2016.
- 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-2017 (base year 2015). 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-2017 (base year 2015). 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	37%	6.85%
International Equity	18%	6.75%
Fixed Income	28%	3.00%
Real Estate	9%	5.75%
Alternative Investments	7%	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 3.31 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)
Balances at December 31, 2016	$ 31,590,155	$ 29,512,313	$ 2,077,842
Changes for the year:			
Service Cost	735,179	-	735,179
Interest on the Total Pension Liability	2,343,611	-	2,343,611
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience of the Total Pension Liability	90,608	-	90,608
Changes of Assumptions	(1,040,689)	-	(1,040,689)
Contributions - Employer	-	767,257	(767,257)
Contributions - Employees	-	320,762	(320,762)
Net Investment Income	-	5,174,112	(5,174,112)
Benefit Payments, including Refunds of Employee Contributions	(1,419,202)	(1,419,202)	-
Other (Net Transfer)	-	(509,422)	509,422
Net Changes	709,507	4,333,507	(3,624,000)
Balances at December 31, 2017	$ 32,299,662	$ 33,845,820	$ (1,546,158)

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%)
Net Pension Liability (Asset)	$ 2,373,273	$ (1,546,158)	$ (4,801,843)

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

For the year ended November 30, 2018, the District recognized IMRF pension expense of $840,274. At November 30, 2018, the District reported deferred outflows or resources and deferred inflows of resources related to pensions from the following sources:

		Deferred Outflows of Resources		Deferred Inflows of Resources
Deferred Amounts to be Recognized in Pension Expense in Future Years				
Differences between expected and actual experience	$	71,275	$	277,735
Changes of assumptions		68,656		818,637
Net difference between projected and actual Earnings on pension plan investments		-		1,443,626
Total Deferred Amounts to be recognized in Pension expense in future periods		139,931		2,539,998
Pension Contributions made subsequent to the Measurement Date		705,223		-
Total Deferred Amounts Related to Pensions	$	845,154	$	2,539,998

The $705,223 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended November 30, 2019. 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 November 30		Net Deferred Inflows of Resources
2019	$	(416,302)
2020		(465,031)
2021		(781,086)
2022		(737,648)
Total	$	(2,400,067)

Payables to the Pension Plan

At November 30, 2018, the District reported payables to IMRF of $69,963 for legally required employer contributions and $36,524 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 2018, 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, 2018 were $94,641.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2018, the Group reported a liability of $921,966 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2017, the Group's collective proportion was .013966 percent, which was a decrease of .00062303 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Group recognized IPERS pension expense of $72,191, which is included in Pensions 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, 2018, 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	$ 8,465	$ 7,988
Changes of Assumptions	160,195	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	9,630
Changes in Proportion and Difference Between Group Contributions and Proportionate Share of Contributions	-	126,711
Group Contributions Subsequent to the Measurement Date	88,138	-
Total	$ 256,798	$ 144,329

The $88,138 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, 2019. 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,	Net Deferred Outflows of Resources
2019	$ (37,291)
2020	48,272
2021	19,264
2022	(16,817)
2023	10,903
Total	$ 24,331

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, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (Effective June 30, 2016)	2.6 percent per annum
Rates of Salary Increases (Effective June 30, 1999)	3.25 to 16.25 percent, average, including inflation. Rates vary by membership group
Long-term Investment Rate of Return (Effective June 30, 1996)	7 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2017 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	Portfolio Target Percentage	Long-Term Expected Real Rate of Return
U.S. Equity	24%	6.25%
Non U.S. Equity	16%	6.71%
Private Equity	11%	11.15%
Real Estate	7%	3.27%
Core Plus Fixed Income	27%	2.25%
Credit Opportunities	3.5%	3.46%
TIPS	3%	4.25%
Other Real Estate	7.5%	4.18%
Cash	1%	-0.31%
Total	100%	

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 3.56 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 1 percentage point lower (6 percent) or 1 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	$ 1,519,030	$ 921,966	$ 420,318

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, 2018, the Group reported payables to the defined benefit pension plan of $8,243 for legally required employer contributions and $5,496 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

9. Other Post-Employment Benefits

As of and for the year ended November 30, 2018 under GASB 75

Plan Description and Benefits Provided

GASB Statement 75, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions, requires governments to account for other post-employment benefits (OPEB) on an accrual basis, rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially determined expense on the Statement of Activities when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. The post-employment benefit liability is recognized on the Statement of Net Position over time. The District provides post-employment healthcare benefits for certain eligible retirees.

Plan Membership

All retirees of the District that were participants in IMRF through the District's employment prior to retirement are eligible to participate in the plan. The eligible retired employee's spouse and dependents are also covered by the plan. A surviving spouse of a retiree who is eligible for an IMRF survivor benefit is also eligible for continuing coverage under the health plan. The benefits valued in this plan end when the retiree and or the covered spouse reach age 65 as Medicare becomes the primary health insurer at a much lower cost to the retiree.

Employees Covered by Benefit Terms

As of December 1, 2017, the following employees were covered by the benefit terms:

Inactive Employees currently receiving benefit payments	-
Inactive Employees entitled to but not receiving benefit payments	-
Active Employees	111
Total Participants covered by OPEB Plan	111

Contribution Requirement

Retirees pay their full premium, including for spousal and dependent coverage, for the health insurance program, which is the same premium paid for active employees. This results in the District providing an implied subsidy of the retiree's normal age adjusted premium even though the District pays none of the retiree's premium.

Total OPEB Liability

The Districts total OPEB Liability of $149,727 was measured as of December 1, 2017, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 1, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	3.59%
Healthcare Cost Trend Rates:	
Current Year Trend	3.48% / 4.03%
Second Year Trend	9.50%
Decrement	0.50%
Ultimate Trend	5.00%
Year Ultimate Trend is Reached	2028
Salary Increases	2.40%

The discount rate was based on the index provided by *Bond Buyer 20-Bond General Obligation Index* based on the 20-year AA municipal bond rate as of December 1, 2017.

Mortality rates were based on the RP-2000 Projected 10 Years using Projection Scale AA.

Changes in the Total OPEB Liability

Total OPEB Liability December 1, 2017	$	141,820
Changes for the Year		
Service Cost		10,438
Interest		5,054
Assumption Changes		-
Difference Between Actual and Expected Experience		(5,519)
Change in Actuarial Cost Method		-
Benefit Payments		(2,066)
Total OPEB Liability November 30, 2018	$	149,727

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The December 1, 2017 valuation was prepared using a discount rate of 3.59 percent. If the discount rate were 1 percent higher or 1 percent lower than what was used in the valuation, the Total OPEB Liability would be as follows:

	Discount Rate		
	1% Decrease	Baseline 3.59%	1% Increase
Total OPEB Liability	$ 159,868	$ 149,727	$ 140,091

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The December 1, 2017 valuation was prepared using an initial trend rate of 3.48 percent/4.03 percent. If the trend rate were 1 percent higher or 1 percent lower than what was used in the valuation, the Total OPEB Liability would be as follows:

	Healthcare Cost Trends		
	1% Decrease	Baseline 3.48% / 4.03%	1% Increase
Total OPEB Liability	$ 135,533	$ 149,727	$ 166,144

OPEB Expense

For the year ended November 30, 2018, the District recognized an OPEB expense as follows:

Service Cost	$	10,438
Interest		5,054
Amortization of Deferred Changes		
Difference Between Actual and Expected Experience		5,334
Changes of Assumptions or Other Inputs		888
Plan Changes		-
Total OPEB Expense	$	21,714

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At November 30, 2018, the District reported deferred outflows / (inflows) of resources related to OPEB from the following sources:

Deferred Amounts to be Recognized in	Deferred Outflows of Resources		Deferred Inflows of Resources	
OPEB Expense in Future Periods				
Differences between Expected and Actual Experience	$	25,847	$	-
Changes of Assumptions		5,219		-
Total Deferred Amounts to be Recognized in OPEB Expense in Future Periods	$	31,066	$	-

Amounts reported as deferred outflows of resources and deferred (inflows) of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending November 30	Net Deferred Outflows of Resources	
2019	$	5,283
2020		5,283
2021		5,283
2022		5,283
2023		5,283
Thereafter		4,651
Total	$	31,066

As of and for the year ended November 30, 2017 under GASB 45

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:

	2017
Annual Required Contribution	$ 9,862
Interest on Net OPEB Obligation	1,554
Adjustment to Annual Required Contribution	(2,203)
Annual OPEB Cost	9,213
Contributions Made	3,503
Participating Employer's	
Increase (Decrease) in Net OPEB Obligation	5,710
Net OPEB Obligation - Beginning of Year	38,850
Net OPEB Obligation - End of Year	$ 44,560

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

Operating Leases

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 $148,112 and $168,202 for the years ended November 30, 2018 and 2017, respectively. The District also is responsible for its proportionate share, which was 25 percent for 2018, of costs for common area maintenance and property taxes related to the office lease. The average monthly payment amount in 2018 for common area maintenance and property taxes was $4,879.

Future minimum lease payments under these operating leases are as follows:

Fiscal Years Ending November 30		
2019	$	145,208
2020		139,335
2021		45,682
Total	$	330,225

Capital Leases

The District has entered into a lease agreement as lessee for financing the acquisition of electric bus batteries. This lease qualifies as capital leases for accounting purposes, and therefore, has been recorded at the present value of future minimum lease payments as of the date of its inception. The lease expires in May 2023, requires monthly payments of $12,942, and has an implicit interest rate of 4.75 percent. At November 30, 2018, the amount capitalized under the capital lease totals $690,000. Future minimum lease payments under this capital lease are as follows:

Fiscal Years Ending November 30			
2019		$	155,306
2020			155,307
2021			155,307
2022			155,307
2023			77,603
	Total Minimum Lease Payments		698,830
	Less: Amounts Representing Interest		(77,822)
	Present Value of Minimum Lease Payments	$	621,008
	Current Maturities	$	125,594
	Noncurrent Maturities		495,414
	Present Value of Minimum Lease Payments	$	621,008

12. Concentration of Revenue

The revenue recognized related to operating and capital grants funded by the Illinois Department of Transportation (IDOT) for the years ended November 30, 2018 and 2017 was $14,887,535 and $16,625,563, respectively, which was 57.8 percent and 51.9 percent, respectively, of the District's revenue. At November 30, 2018 and 2017, amounts due from IDOT were $55,471 and $463,235, respectively.

The revenue recognized related to operating and capital grants funded by the U.S. Department of Transportation (U.S. DOT), for the years ended November 30, 2018 and 2017 was $5,043,561 and $9,878,462, respectively, which was 19.6 percent and 30.8 percent, respectively, of the District's revenue. At November 30, 2018 and 2017, amounts due from U.S. DOT were $632,014 and $494,638, respectively.

13. 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 revenue related to Davenport for fiscal years 2018 and 2017 were $4,787 and $21,318, respectively.

The District had receivable due from the City of Moline for $27,680 and $728,280 as of November 30, 2018 and 2017, respectively. The City of Moline elects a representative to hold a seat on the District's board.

14. 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, 2018, was approximately $5,864,000. 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.

15. 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.

16. Cumulative Effect of Adoption of GASB Statement 75 for OPEB

The statement of revenues, expenses, and changes in net position for the year ended November 30, 2018, includes a cumulative adjustment to account for the implementation of GASB Statement Number 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The effect of adopting the standard decreased the net position as of November 30, 2017 by $54,453 and decreased the change in net position for the year ended November 30, 2018 by $18,236, but had no impact on the change in net position for the year ended November 30, 2017. The $54,453 adjustment equals the increase in the OPEB liability at November 30, 2017, $97,260, less the deferred outflows of resources recorded for the adoption of GASB 75 at November 30, 2017, $42,807. The net position as of November 30, 2016 has not been restated as management elected to adopt the standard as of Fiscal Year 2018.

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)

	2017	2016	2015	2014
Total Pension Liability				
Service Cost	$ 735,179	$ 735,046	$ 671,151	$ 738,240
Interest on the Total Pension Liability	2,343,611	2,235,573	2,156,372	1,972,268
Changes of Benefit Terms	-	-	-	-
Differences Between Expected and Actual Experience of the Total Pension Liability	90,608	(203,660)	(552,289)	(40,292)
Changes of Assumptions	(1,040,689)	-	-	1,051,532
Benefit Payments, including Refunds of Employee Contributions	(1,419,202)	(1,233,841)	(1,268,501)	(1,198,469)
Net Change in Total Pension Liability	709,507	1,533,118	1,006,733	2,523,279
Total Pension Liability - Beginning	31,590,155	30,057,037	29,050,304	26,527,025
Total Pension Liability - Ending (A)	$ 32,299,662	$ 31,590,155	$ 30,057,037	$ 29,050,304
Plan Fiduciary Net Position				
Contributions - Employer	$ 767,257	$ 832,443	$ 801,276	$ 909,121
Contributions - Employees	320,762	301,853	295,554	279,826
Net Investment Income	5,174,112	1,888,321	140,090	1,618,079
Benefit Payments, including Refunds of Employee Contributions	(1,419,202)	(1,233,841)	(1,268,501)	(1,198,469)
Other (Net Transfer)	(509,422)	412,278	(760,902)	(35,466)
Net Change in Plan Fiduciary Net Position	4,333,507	2,201,054	(792,483)	1,573,091
Plan Fiduciary Net Position - Beginning	29,512,313	27,311,259	28,103,742	26,530,651
Plan Fiduciary Net Position - Ending (B)	$ 33,845,820	$ 29,512,313	$ 27,311,259	$ 28,103,742
Net Pension Liability (Asset) - Ending (A) - (B)	$ (1,546,158)	$ 2,077,842	$ 2,745,778	$ 946,562
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	104.79%	93.42%	90.86%	96.74%
Covered Payroll	$ 6,987,778	$ 6,707,844	$ 6,567,867	$ 5,989,805
Net Pension Liability (Asset) as a Percentage of Covered Payroll	-22.13%	30.98%	41.81%	15.80%

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 December 31	Actuarially Determined Contribution	Actual Contribution	Unfunded Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a Percentage of Covered Payroll	
2017	$ 767,257	$ 767,257	$ -	$ 6,987,778	10.98%	
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	-	5,989,805	15.18%	
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.

See Accompanying Notes

Summary of Actuarial Methods and Assumptions Used in the Calculation of the 2017 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 2017 Contribution Rates:

Actuarial Cost Method:	Aggregate entry age normal
Amortization Method:	Level percentage of payroll, closed
Remaining Amortization Period:	26-year closed 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, 2015, 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)

	2018	2017	2016	2015	2014
Group's Proportion of the Net Pension Liability (Asset)	0.0139660%	0.0145890%	0.0152927%	0.0176922%	0.0192930%
Group's Proportionate Share of the Net Pension Liability	$ 921,966	$ 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	$ 1,247,798
Group's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	89.24%	87.69%	72.11%	60.61%	87.54%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	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.

Schedule 4

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)

	2018	2017	2016	2015	2014	2013	2012
Statutorily Required Contribution	$ 88,137	$ 92,259	$ 92,647	$ 94,145	$ 105,499	$ 108,184	$ 103,305
Contributions in Relation to the Statutorily Required Contribution	88,137	92,259	92,647	94,145	105,499	108,184	103,305
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Group's Covered Payroll	$ 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	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.

See Accompanying Notes

Changes of Benefit and Funding Terms:

The following changes were made in the valuation performed as of June 30, 2017:

No changes

Changes of Actuarial Assumptions:

The 2017 valuation implemented the following refinements:

The inflation assumption decreased from 3.00 percent to 2.60 percent per year

The assumed rate of interest on member accounts was decreased from 3.75 percent to 3.50 percent per year

The long-term rate of return assumption decreased from 7.50 percent to 7.00 percent per year

The wage growth and payroll growth assumption decreased from 4.00 percent to 3.25 percent per year

Salary increase assumption decreased by 0.75 percent

ROCK ISLAND COUNTY METROPOLITAN MASS TRANSIT DISTRICT
Schedule of Changes in Total OPEB Liability and Related Ratios
Other Post-Employment Benefits - GASB 75
Last Ten Fiscal Years
Required Supplementary Information
(Unaudited)

	2018
Total OPEB liability	
Service Cost	$ 10,438
Interest on Total OPEB Liability	5,054
Changes in Benefit Terms	-
Difference Between Expected and Actual Experience of the Total OPEB Liability	(5,519)
Changes of Assumptions	
Benefit Payments	(2,066)
Net Change in Total OPEB Liability	7,907
Total OPEB Liability - Beginning	141,820
Total OPEB Liability - Ending	$ 149,727
Covered Employee Payroll	$ 5,825,606
Total OPEB Liability as a Percentage of Covered Employee Payroll	2.57%

NOTE: GASB Statement No. 75 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.

Assumptions Used to Determine Total OPEB Liability:

Valuation Date:
December 1, 2017

Measurement Date:
December 1, 2017

Actuarial Cost Method:
Entry age normal

Interest Rate Used to Discount the Liability:
3.59%

Healthcare Inflation Rates:
3.48% /4.03% in Fiscal Year 2018, 9.50% in Fiscal Year 2019, and decreasing to 5% by Fiscal Year 2028 and thereafter

Participation Assumption for the Healthcare Benefit:
10%

Mortality:
Probabilities of death for participants were according to the RP2000 Combined Healthy Participant Table Projected 10 Years using Projection Scale AA.

Accumulation of Assets to Fund the Benefits:

No assets are accumulated in a trust to pay benefits related to the OPEB plans.

ROCK ISLAND COUNTY METROPOLITAN MASS TRANSIT DISTRICT
Schedule of Funding Progress – Other Post-Employment Benefits – GASB 45
November 30, 2018
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, 2018

	Operating	Insurance	Eliminations	Total
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ 2,305,147	$ -	$ -	$ 2,305,147
Restricted Assets				
Cash and Cash Equivalents for Insurance and Employee Benefits	1,586,334	1,349,516	-	2,935,850
Property Taxes Receivable	102,298	-	-	102,298
Receivables				
Property Taxes Receivable	3,500,724	-	-	3,500,724
Accounts Receivable, Net of Allowance	182,212	-	-	182,212
Federal and State Grants Receivable	687,485	-	-	687,485
Due from Other Governments	1,572,749	-	-	1,572,749
Quad City Garage Policy Group Receivable	118,824			118,824
Due from Insurance Fund	406,947	-	(406,947)	-
Prepaid Expenses	350,565	-	-	350,565
Inventory	34,296	-	-	34,296
Total Current Assets	10,847,581	1,349,516	(406,947)	11,790,150
Noncurrent Assets:				
Cash and Cash Equivalents - Designated Funds	12,360	-	-	12,360
Investment in Quad City Garage Policy Group	(90,989)	-	-	(90,989)
Capital Assets				
Not Being Depreciated	1,335,114	-	-	1,335,114
Being Depreciated				
Property and Equipment	95,669,546	-	-	95,669,546
Accumulated Depreciation	(32,237,030)	-	-	(32,237,030)
Held for Distribution	14,196,792	-	-	14,196,792
Net Pension Asset	1,546,158	-	-	1,546,158
Total Noncurrent Assets	80,431,951	-	-	80,431,951
Total Assets	91,279,532	1,349,516	(406,947)	92,222,101
DEFERRED OUTFLOWS OF RESOURCES				
Pension Related Deferred Outflows	845,154	-	-	845,154
OPEB Related Deferred Outflows	31,066	-	-	31,066
Total Deferred Outflows of Resources	876,220	-	-	876,220
LIABILITIES				
Current Liabilities:				
Accounts Payable	436,031	-	-	436,031
Accrued Payroll and Payroll Taxes	243,223	-	-	243,223
Accrued Leave	152,526	-	-	152,526
Capital Lease Liability	125,594	-	-	125,594
Unearned State Operating Assistance	2,006,353	-	-	2,006,353
Due to Operating Fund	-	406,947	(406,947)	-
Unearned Other Revenue	27,333	-	-	27,333
Total Current Liabilities	2,991,060	406,947	(406,947)	2,991,060
Noncurrent Liabilities:				
Accrued Leave - Net of Current	206,068	-	-	206,068
Capital Lease Liability - Net of Current	495,414	-	-	495,414
Other Post-Employment Benefits Obligation	149,727	-	-	149,727
Total Noncurrent Liabilities	851,209	-	-	851,209
Total Liabilities	3,842,269	406,947	(406,947)	3,842,269
DEFERRED INFLOWS OF RESOURCES				
Unearned Property Taxes	3,449,620	-	-	3,449,620
Pension Related - Deferred Inflows	2,539,998	-	-	2,539,998
Total Deferred Inflows of Resources	5,989,618	-	-	5,989,618
NET POSITION				
Net Investment in Capital Assets	78,335,442	-	-	78,335,442
Restricted:				
Tax Levy Restrictions for:				
Liability Insurance	402,895	1,349,516	-	1,752,411
Employee Benefits	1,275,183	-	-	1,275,183
Other Tax Levy Restrictions	10,554	-	-	10,554
Unrestricted	2,299,791	(406,947)	-	1,892,844
Total Net Position	$ 82,323,865	$ 942,569	$ -	$ 83,266,434

Schedule 8

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, 2018

	Operating	Insurance	Total
Operating Revenues			
Passenger Fares	$ 1,266,926	$ -	$ 1,266,926
Other Transportation Revenue	248,974	-	248,974
Other Operating Revenue	336,119	-	336,119
Total Operating Revenues	1,852,019	-	1,852,019
Operating Expenses			
Labor and Benefits	12,261,677	-	12,261,677
Professional Services	2,486,347	15,532	2,501,879
Materials and Supplies	1,947,930	-	1,947,930
Utilities	389,805	-	389,805
Insurance	568,883	69,925	638,808
Purchased Transportation	859,154	-	859,154
Leases	197,514	-	197,514
Miscellaneous	280,151	-	280,151
Depreciation	3,674,991	-	3,674,991
Total Operating Expenses	22,666,452	85,457	22,751,909
Operating Income (Loss)	(20,814,433)	(85,457)	(20,899,890)
Non-Operating Revenues (Expenses)			
Investment Income	25,431	60	25,491
Interest Expense	(17,290)	-	(17,290)
Property Taxes			
Levied	3,742,389	-	3,742,389
Replacement	166,904	-	166,904
Payment in Lieu of Taxes	17,086	-	17,086
Equity in Net Income (Loss) of Quad City Garage Policy Group	9,248	-	9,248
Government Grants and Assistance			
State Operating Assistance	12,147,335	-	12,147,335
Federal Operating Assistance	1,347,200	-	1,347,200
Gain (Loss) on Disposal of Assets	(5,931)	-	(5,931)
Total Non-Operating Revenues (Expenses)	17,432,372	60	17,432,432
Net Income (Loss) Before Capital Contributions	(3,382,061)	(85,397)	(3,467,458)
Capital Contributions			
State Capital Assistance	2,740,200	-	2,740,200
Federal Capital Assistance	3,696,361	-	3,696,361
Total Capital Contributions	6,436,561	-	6,436,561
Net Increase (Decrease) in Net Position	3,054,500	(85,397)	2,969,103
Net Position - Beginning of Year, As Previously Reported	79,323,818	1,027,966	80,351,784
Cumulative Effect of Adoption of GASB Statement 75 for OPEB	(54,453)	-	(54,453)
Net Position - Beginning of Year, As Restated	79,269,365	1,027,966	80,297,331
Net Position - End of Year	$ 82,323,865	$ 942,569	$ 83,266,434

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, 2018

	Operating	Insurance	Total
Cash Flows From Operating Activities			
Cash Received for Transit Fares	$ 1,218,254	$ -	$ 1,218,254
Cash Received From Special Transit Services and Advertising Income	248,974	-	248,974
Rent and Other Receipts	336,119	-	336,119
Wages Paid to Employees	(8,582,928)	-	(8,582,928)
Payments to Suppliers for Goods and Services	(10,549,055)	(85,457)	(10,634,512)
Net Cash Provided by (Used in) Operating Activities	(17,328,636)	(85,457)	(17,414,093)
Cash Flows From Non-Capital Financing Activities			
Operating Grant Proceeds			
State of Illinois	11,870,501	-	11,870,501
Federal Transit Administration	1,267,912	-	1,267,912
Property and Income Taxes Received	3,906,354	-	3,906,354
Interfund Loans	(1,306,947)	1,306,947	-
Net Cash Provided by (Used in) Non-Capital Financing Activities	15,737,820	1,306,947	17,044,767
Cash Flows From Capital and Related Financing Activities			
Capital Grant Proceeds			
State of Illinois	3,147,964	-	3,147,964
Federal Transit Administration	3,481,442	-	3,481,442
Principal Payments on Capital Leases	(68,992)	-	(68,992)
Interest Payments on Capital Lease	(17,290)	-	(17,290)
Capital Asset Expenditure Due from Moline	790,282	-	790,282
Purchase and Construction of Capital Assets	(6,471,049)	-	(6,471,049)
Net Cash Provided by (Used in) Capital and Related Financing Activities	862,357	-	862,357
Cash Flows From Investing Activities			
Interest Received	25,431	60	25,491
Increase (Decrease) in Cash and Cash Equivalents	(703,028)	1,221,550	518,522
Cash and Cash Equivalents, Beginning of Year	4,606,869	127,966	4,734,835
Cash and Cash Equivalents, End of Year	$ 3,903,841	$ 1,349,516	$ 5,253,357
Presented on the Schedule of Net Position as Follows:			
Cash and Cash Equivalents	$ 2,305,147	$ -	$ 2,305,147
Cash and Cash Equivalents for Insurance and Employee Benefits	1,586,334	1,349,516	2,935,850
Cash and Cash Equivalents - Designated Funds	12,360	-	12,360
Cash and Cash Equivalents - End of Year	$ 3,903,841	$ 1,349,516	$ 5,253,357

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, 2018

	Operating	Insurance	Total
Reconciliation of Operating Income (Loss) to Net			
Cash Provided by (Used in) Operating Activities			
Operating Income (Loss)	$ (20,814,433)	$ (85,457)	$ (20,899,890)
Adjustments to Reconcile Operating Income (Loss) to			
Net Cash Provided by (Used in) Operating Activities			
Depreciation	3,674,991	-	3,674,991
Changes in Assets and Liabilities			
Accounts Receivable	107,843	-	107,843
Prepaid Expenses	79,281	-	79,281
Inventory	(12,570)	-	(12,570)
Pension Related Deferred Outflows	1,641,548	-	1,641,548
OPEB Related Deferred Outflows	11,741	-	11,741
Accounts Payable	(441,147)	-	(441,147)
Other Liabilities	-	-	-
Accrued Wages and Benefits	(81,141)	-	(81,141)
Net Pension Asset	(3,624,000)	-	(3,624,000)
OPEB Liability	52,467	-	52,467
Pension Related Deferred Inflows	2,076,784	-	2,076,784
Net Adjustments	3,485,797	-	3,485,797
Net Cash Provided by (Used in) Operating Activities	$ (17,328,636)	$ (85,457)	$ (17,414,093)
Noncash Capital and Related Financing Activities			
Capital Assets Donated by Grants	$ 156,831	$ -	$ 156,831
Capital Assets Acquired Through Capital Lease	$ 690,000	$ -	$ 690,000

ROCK ISLAND COUNTY METROPOLITAN MASS TRANSIT DISTRICT
Schedule of Property, Plant, and Equipment - Excluding Blended Component Unit
For the Year Ended November 30, 2018

	Balance at November 30, 2017	Additions and Adjustments	Deletions and Adjustments	Balance at November 30, 2018
Land	$ 968,797	$ -	$ -	$ 968,797
Intangible Assets	315,000	-	-	315,000
EZ Transit Buses	1,687,504	156,831	340,965	1,503,370
Large Buses/Fixed Route	23,545,334	5,301,966	283,758	28,563,542
Channel Cat Boats	567,809	-	-	567,809
Autos	393,409	-	96,792	296,617
Tram	70,000	-	-	70,000
Shelters	4,105,726	41,845	111,882	4,035,689
Radios	80,832	-	80,832	-
Camera Equipment	1,025,721	629,432	568,050	1,087,103
Fare Boxes	351,554	-	-	351,554
Computers	756,276	-	7,499	748,777
Office Equipment	279,923	8,019	8,149	279,793
Building Garage	39,334,440	223,622	10,546	39,547,516
CNG Fueling Station	3,215,407	86,985	-	3,302,392
Shop Equipment	120,793	43,470	-	164,263
STS Building	404,108	-	-	404,108
Community Transit Centre (CTC)	8,473,978	-	4,885	8,469,093
East Moline Transfer Facility	2,283,618	-	-	2,283,618
AVLS System	2,993,225	-	-	2,993,225
Access Control	92,040	-	400	91,640
Website	73,575	-	15,460	58,115
Rights of Way/Improvements	161,321	-	-	161,321
Leased Batteries	-	690,000	-	690,000
Construction in Progress				
Multi Modal Facility	14,378,543	-	14,378,543	-
Ferryboat Terminal	-	16,450	-	16,450
Feasibility Corridor Study	-	34,868	-	34,868
Assets Held for Distribution:				
Multi Modal Facility	-	14,378,543	181,751	14,196,792
Totals	105,678,933	21,612,031	16,089,512	111,201,452
Accumulated Depreciation	30,080,301	3,674,991	1,518,262	32,237,030
Net Property, Plant, and Equipment	$ 75,598,632	$ 17,937,040	$ 14,571,250	$ 78,964,422

Schedule 11

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, 2018

	Budget	Actual	Over/(Under)
Operating Revenues			
Passenger Fares	$ 1,242,982	$ 1,266,926	$ 23,944
Other Transportation Revenue	226,294	248,974	22,680
Other Operating Revenue	553,424	336,119	(217,305)
Bad Debt Expense	(2,700)	-	2,700
Total Operating Revenues	2,020,000	1,852,019	(167,981)
Operating Expenses			
Operators' Salaries and Wages	4,066,032	4,281,092	215,060
Salaries and Wages - Other	3,460,096	3,184,370	(275,726)
Social Security	633,015	623,055	(9,960)
Pension	1,058,380	936,687	(121,693)
Group Health Insurance	1,861,745	1,767,299	(94,446)
Group Life Insurance	30,225	29,287	(938)
Disability Insurance	8,170	7,471	(699)
Unemployment Tax	36,166	16,132	(20,034)
Workers' Compensation	356,996	282,087	(74,909)
Sick Leave	215,233	216,586	1,353
Holiday	254,698	262,648	7,950
Vacation	460,278	464,745	4,467
Other Paid Leave	40,972	36,459	(4,513)
Uniform Allowance	66,625	41,071	(25,554)
OPEB Expense	-	19,648	19,648
Other Fringe Benefits	31,155	30,398	(757)
Training	36,750	59,056	22,306
Tuition Reimbursement	10,000	3,586	(6,414)
Management Fees	46,346	46,633	287
Advertising and Media Prefessional Fees	164,500	148,099	(16,401)
Professional Services	662,489	564,949	(97,540)
Temporary Services	77,500	869	(76,631)
Contract Maintenance	654,520	621,973	(32,547)
Custodial Services	741,085	807,929	66,844
Security Services	246,604	221,712	(24,892)
Other Services	85,363	74,183	(11,180)
Fuel and Lubricants	870,928	715,993	(154,935)
Tires	124,819	134,669	9,850
Other Materials and Supplies	1,146,116	1,097,268	(48,848)
Utilities (Gas and Electric)	371,465	318,739	(52,726)
Utilities (Cell and Telephones)	82,695	71,066	(11,629)
Public Liability and Physical Damage	696,329	568,523	(127,806)
Other Corporate Premiums	360	360	-
Vehicle Licensing	2,941	2,999	58
Purchased Transportation	987,187	859,154	(128,033)
Dues and Subscriptions	69,447	59,443	(10,004)
Travel and Meetings	92,000	71,737	(20,263)
Advertising and Promotion	130,250	127,742	(2,508)
Miscellaneous	36,554	18,230	(18,324)
Leases and Rentals	228,495	197,514	(30,981)
Depreciation	4,127,359	3,674,991	(452,368)
Total Operating Expenses	24,271,888	22,666,452	(1,605,436)

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, 2018

	Budget	Actual	Over/(Under)
Operating Income (Loss)	(22,251,888)	(20,814,433)	1,437,455
Non-Operating Revenues (Expenses)			
Investment Income	-	25,431	25,431
Interest Expense	(50,829)	(17,290)	33,539
Property Taxes			
Levied	3,707,119	3,742,389	35,270
Replacement	179,904	166,904	(13,000)
Payment in Lieu of Taxes	16,733	17,086	353
Equity in Net Income (Loss) of Quad City Garage Policy Group	-	9,248	9,248
Government Grants and Assistance			
State Operating Assistance	13,128,738	12,147,335	(981,403)
Federal Operating Assistance	1,250,000	1,347,200	97,200
Gain (Loss) on Disposal of Assets	-	(5,931)	(5,931)
Total Non-Operating Revenues (Expenses)	18,231,665	17,432,372	(799,293)
Net Income (Loss) Before Capital Contributions and Transfers	$ (4,020,223)	$ (3,382,061)	$ 638,162

ROCK ISLAND COUNTY METROPOLITAN MASS TRANSIT DISTRICT
Schedule of Revenues and Expenses
Under Downstate Operating Assistance Grant OP-18-03-IL
For the State Fiscal Year Ended June 30, 2018

Operating Revenues:			
401	Passenger Fares for Transit Services	$	1,256,242
406	Auxiliary Revenue		241,109
407	Non-Transportation Revenue		373,911
413	Federal Cash Grants and Reimbursements		1,267,912
	Total Operating Revenues	$	3,139,174
Operating Expenses:			
501	Labor	$	7,450,138
502	Fringe Benefits		4,681,635
503	Professional Services		2,286,792
504	Materials and Supplies Consumed		1,872,096
505	Utilities		383,461
506	Casualty and Liability		580,419
507	Taxes		3,174
508	Net Purchased Transportation		881,072
509	Miscellaneous Expense		290,531
512	Leases, Rentals, and Purchase/Lease Payments		191,224
517	Debt Service on Equipment/Facilities		17,481
	Total Operating Expenses	$	18,638,023
Less:	Ineligible Operating Expenses:		
	Reimbursed Expenses	$	25,995
	APTA Dues (10%)		2,585
	IPTA Dues (20%)		4,060
	Audit Fee		8,092
	Government Consulting		66,000
	Equipment Eligible for Federal Grant		71,368
	Intergovernmental Agreement - City of Bettendorf Operating Expenses		69,768
	Shelter Repairs and Maintenance		8,942
	Software		138,747
	Total Ineligible Operating Expenses		395,557
	Total Eligible Operating Expenses	$	18,242,466

ROCK ISLAND COUNTY METROPOLITAN MASS TRANSIT DISTRICT
Schedule of Revenues and Expenses
Under Downstate Operating Assistance Grant OP-18-03-IL
For the State Fiscal Year Ended June 30, 2018

Total Eligible Operating Expenses	$	18,242,466
Total Operating Revenues		3,139,174
Deficit	$	15,103,292
Sixty-Five Percent of Eligible Expense	$	11,857,603
Maximum Contract Amount	$	25,356,400
Eligible Downstate Operating Assistance (Deficit or Sixty-Five Percent of Eligible Expense or Maximum Contract Amount, Whichever is Less)	$	11,857,603
State Fiscal Year 2018 Downstate Operating Assistance Received (Prior to the Close of the District's Fiscal Year 2018)		11,912,991
State Fiscal Year 2018 Downstate Operating Assistance Under (Over) Paid	$	(55,388)

The Schedule of Revenues and Expenses Under Downstate Operating Assistance Grant is prepared based on the grant period July 1, 2017 through June 30, 2018. This activity is included in the District's fiscal years 2017 and 2018 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, 2018

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-18-03-IL
For the Year Ended November 30, 2018

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, 2018

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-90-0697	$ 225,487	$ -
Federal Transit Formula Grants	20.507		IL-90-2697	1,650	-
Federal Transit Formula Grants	20.507		IL-90-0732	22,162	-
Federal Transit Formula Grants	20.507		IL-90-0746	51,164	-
Federal Transit Formula Grants	20.507		IL-90-0748	18,120	-
Federal Transit Formula Grants	20.507		IL-2016-012	32,000	-
Federal Transit Formula Grants	20.507		IL-2017-011	1,043,602	-
Federal Transit Formula Grants	20.507		IL-2018-001	1,351,041	-
Federal Transit Formula Grants	20.507		IL-2018-002	623,338	
Federal Transit Formula Grants	20.507		IL-2019-XXX1	480,086	-
Total Federal Transit Cluster				3,848,650	-
Highway Planning and Construction	20.205		IL-2019-XXX2	19,989	-
Highway Planning and Construction	20.205		IL-2019-XXX3	16,450	-
Total Highway Planning and Construction				36,439	-
Clean Fuels Grant	20.519	*	IL-58-0006	1,001,644	-
Pass Through from the Illinois Department of Transportation:					
Enhanced Mobility of Seniors and Individuals with Disabilities (noncash)	20.513	*	IL-16-X010	41,000	-
Enhanced Mobility of Seniors and Individuals with Disabilities (noncash)	20.513	*	CAP-13-1021-CVP	115,831	-
Total Enhanced Mobility of Seniors and Individuals with Disabilities				156,831	-
Total U.S. Department of Transportation				$ 5,043,564	$ -

* - 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, 2018.

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, 2018.

ROCK ISLAND COUNTY METROPOLITAN MASS TRANSIT DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended November 30, 2018

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:

- Clean Fuels
  - CFDA #20.519
- Enhanced Mobility of Seniors and Individuals with Disabilities
  - CFDA #20.513

(*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, 2018

No findings noted in the prior year.

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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 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, 2018, 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 26, 2019.

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.

Martin Hood LLC
Champaign, Illinois
February 26, 2019

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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 programs for the year ended November 30, 2018. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs (Schedule 16).

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 programs 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 each 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 programs for the year ended November 30, 2018.

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 26, 2019