ROCK ISLAND COUNTY METROPOLITAN MASS TRANSIT DISTRICT

Moline, Illinois

Financial Statements and Supplementary Information

For the Years Ended

November 30, 2016 and 2015

C O N T E N T S

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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, 2016 and 2015, 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, 2016 and 2015, 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 13 and the information in Schedules 1 through 5 on pages 44 to 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The accompanying Schedules 6 through 10 are presented for the purpose of additional analysis. The accompanying Schedules 11 through 13 are presented for purposes of additional analysis as required by the

Illinois Department of Transportation. The accompanying Schedules 14 through 16, including the Schedule of Expenditures of Federal Awards, are presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The information included in Schedules 6 through 16 is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated March 7, 2017, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Martin, Hood, Friese & Associates, LLC

Champaign, Illinois
March 7, 2017

ROCK ISLAND COUNTY METROPOLITAN MASS TRANSIT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Years Ended November 30, 2016, and 2015

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.

With a current active fleet of 64 transit buses (9 diesel and 55 compressed natural gas), 7 paratransit vans for STS services, 12 accessible vans used for ADA services, and an average work force of 125 employees, the District operates an extensive system of bus routes that serve the Illinois Quad Cities seven days a week. This seamless transportation network serves the major residential, retail and commercial corridors throughout the Illinois Quad Cities and is regionally linked to transfer passengers to the Iowa Quad Cities transit systems.

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

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

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

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.

Fiscal Years Presented

Unlike past years, the District has presented only two years of information in this management's discussion and analysis (MD&A) because of the addition of the blended component unit, the Quad City Garage Policy Group, which became effective for external financial statement presentation in fiscal year 2016. The fiscal year 2015 information has been restated to include the blended component unit for the basic financial statements and for the MD&A, however, the cost of restating fiscal year 2014 for only the MD&A exceeds the benefit provided. In future years, the District will again present three years of information in the MD&A.

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)

	FY16	**Restated FY15**
Current and Other Assets	$15,111	$11,499
Capital Assets	69,495	61,894
Total Assets	84,606	73,393
Deferred Outflows of Resources	3,402	2,082
Current and Other Liabilities	6,159	3,538
Noncurrent liabilities	7,665	2,039
Total liabilities	13,824	5,577
Deferred Inflows of Resources	4,307	3,849
Net Position:		
District		
Net Invested in Capital Assets	64,308	61,083
Restricted for:		
Insurance	1,543	1,564
Employee Benefits	840	631
Other Tax Levies	7	3
Unrestricted	3,477	3,096
Total District Net Position	70,175	66,377
Noncontrolling Interest in Net Position of Blended Component Unit	-298	-328
Total Net Position	$69,877	$66,049

Net Position Analysis

For the year ended November 30, 6, the District's Net Position increased by 5.7% ($70,175 compared to $66,377). The increase of $3,798 in total Net Position is illustrated in the Changes in Net Position schedule below (Table 2), which is taken from the Statement of Revenue, Expenses, and Changes in Net Position in the District's financial statements.

Table 2
Changes in Net Position (000's)

	FY16	Restated FY15
Operating Revenues		
Passenger Fares	$1,262	$1,257
Other Transportation Revenue	256	261
Other	223	272
Total Operating Revenue	1,741	1,790
Operating Expenses Before Depreciation	18,997	17,822
Depreciation	2,921	2,960
Deficit from Operations	-20,177	-18,992
Non-Operating Revenues (Expenses)		
Property Taxes	3,725	3,610
Investment	2	3
State/Federal Operating Assistance	14,548	12,954
State/Federal Capital Assistance	5,480	3,090
Other	249	-511
Total Non-Operating Revenue (Expense)	24,004	19,146
Net Increase (Decrease) in Net Position	3,827	154
Less: Noncontrolling Interest of Blended Component Unit Net Increase (Decrease) in Net Position	29	24
District Net Increase (Decrease) in Net Position	3,798	130
District Net Position – Beginning of Year	66,377	66,247
District Net Position – End of Year	$70,175	$66,377

Change in Net Position Analysis

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

Operating Expenses before Depreciation increased 7% ($1,175 thousand) in FY16 from FY15. The significant expense category increases were as follows: Labor & Fringe Benefits increased 12% ($1,381 thousand) primarily due to the increased pension expense under Government Accounting Standards Board Statement (GASB) 68, which was implemented in 2015 and this year increased pension expense by $965 thousand; Insurance increased 7% ($295 thousand) due to an increase in the loss fund allocation; Purchased Transportation increased 9% ($80 thousand) due to an increase in the ferryboat operator contract. The increases were offset by the following significant decreases: Professional Services decreased 12% ($322 thousand), partially due to a onetime correction in the prior year of the FY11 state operating grant revenue, which was included as a professional service expense to segregate it from the FY15 revenue. Materials and Supplies decreased 13% ($231 thousand) primarily due to a decrease in fuel prices; Utilities decreased 13% ($55 thousand) primarily due to the sale of the former operations and maintenance garage in late FY15.

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

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

Budgetary Highlights

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

Table 3
Annual Budget and Appropriation
(000's)

	Budget	Actual
Passenger Fares	$1,200	$1,262
Other Transportation Revenue	263	256
Other Operating Revenue	169	203
Total Revenue	**1,632**	**1,721**
Wages	7,037	7,005
Fringes	4,759	5,482
Fuel	1,167	348
Materials & Supplies	1,502	1,241
Utilities	396	368
Casualty/Liability and Losses	550	552
Purchased Transportation	859	1,017
Leases	260	254
Miscellaneous	3,209	2,765

Total Operating Expenses without Depreciation	**19,739**	**19,032**
Depreciation	**3,159**	**2,921**
Interest Income	0	2
Interest Expense	-74	-16
Property Taxes	3,675	3,725
Equity in QCGPG	0	41
Government Grants & Assistance	14,507	14,548
Amortization of Loss on Refunding	0	-32
Gain(Loss) on Disposal of Assets	0	-44
Warranty Income	0	346
Total Non-Operating Revenue	**18,108**	**18,570**
Net Income(Loss) Before Capital Contributions	**-$3,158**	**-$1,662**

<u>Budgetary Analysis</u>

The District's actual resources available for appropriations for the year, excluding capital contributions, were 47% ($1,496 thousand) more than budgeted. Total Revenue was 5% ($89 thousand) higher than budgeted and Operating Expenses before Depreciation were 4% ($707 thousand) less than budgeted, primarily due to lower fuel and materials cost. Non-operating Revenue was 3% ($462 thousand) higher than budgeted, mostly due to the receipt of warranty income from a manufacturer for a bus that was destroyed in a fire during a prior fiscal year.

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

Capital Assets

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

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

Capital Assets - Analysis

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

Debt Management

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

	2016	2015 As Restated
Notes Payable	$ 5,191	$ 1,164
Net Pension Liability	3,506	1,662
OPEB Obligation	39	33
Accrued Sick Leave	201	200
Total	$ 8,937	$ 3,059

Debt Management – Analysis

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

Economic Trends

For the year ending November 30, 2017, the District expects an increase in its property tax revenue of approximately 1.5%. The Illinois Municipal Retirement Fund rate decreased significantly from 12.41% in 2016 to 10.98% for 2017. The District continues to optimize the fuel performance of the fleet through mixed use of CNG and diesel powered buses, and is currently benefitting from lower market prices for natural gas and diesel fuel. The State Operating Appropriation for FY18 (July 2017 to June 2018) increased 10% from FY17. Management continues to monitor the Illinois state budget proposals that could impact transit funding in future periods, to communicate with the governor and legislators, and to continually update plans as changes occur. The District will also continue to work with its local, federal and state partners to bring the Multi-Modal Facility (known locally as the train station) project to completion in 2017. Projects expected to be substantially completed in 2017 are the delivery of two electric buses and associated charging equipment, along with continuing to upgrade passenger shelters and update technology capabilities wherever practicable. Future projects include a new bus fare collection system, an upgrade of the bus video surveillance system, and eight information kiosks distributed around the community. As the District continues to identify and implement service that is tailored to fit the needs of the community, ridership is expected to increase slightly in the next fiscal year.

Contacting the District's Management

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

Exhibit A

ROCK ISLAND COUNTY METROPOLITAN MASS TRANSIT DISTRICT
Statements of Net Position
November 30, 2016 and 2015

	2016	2015 As Restated
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 55,655	$ 252,517
Restricted Assets		
Cash and Cash Equivalents for Insurance and Employee Benefits	141,173	2,095,037
Property Taxes Receivable	105,242	102,488
Due from Operating Fund	2,142,799	-
Receivables		
Property Taxes Receivable	3,557,428	3,488,967
Accounts Receivable, Net of Allowance	117,929	94,356
Federal and State Grants Receivable	1,770,596	1,658,658
Due from Other Governments	6,261,977	2,542,386
Prepaid Expenses	410,161	392,498
Inventory	547,037	554,743
Total Current Assets	15,109,997	11,181,650
Noncurrent Assets:		
Cash and Cash Equivalents - Designated Funds	817	318,001
Capital Assets		
Not Being Depreciated	6,632,860	5,575,532
Being Depreciated		
Property and Equipment	91,208,241	83,573,232
Accumulated Depreciation	(28,345,798)	(27,254,979)
Total Noncurrent Assets	69,496,120	62,211,786
Total Assets	84,606,117	73,393,436
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charge on Refunding	3,468	35,056
Pension Related Deferred Outflows	3,398,594	2,046,998
Total Deferred Outflows of Resources	3,402,062	2,082,054

See Accompanying Notes

ROCK ISLAND COUNTY METROPOLITAN MASS TRANSIT DISTRICT
Statements of Net Position
November 30, 2016 and 2015

	2016	2015 As Restated
LIABILITIES		
Current Liabilities:		
Accounts Payable	1,339,836	1,063,167
Accrued Payroll and Payroll Taxes	356,745	295,951
Accrued Leave	190,206	190,007
Accrued Interest	281	-
Due to Restricted Funds	2,142,799	-
Due to Other Governments	831,372	956,112
Unearned Other Revenue	25,707	13,009
Notes Payable	1,272,175	1,019,857
Total Current Liabilities	6,159,121	3,538,103
Noncurrent Liabilities:		
Accrued Leave - Net of Current	200,785	200,035
Notes Payable - Net of Current	3,919,196	143,741
Net Pension Liability	3,506,043	1,662,581
Other Post-Employment Benefits Obligation	38,850	32,737
Total Noncurrent Liabilities	7,664,874	2,039,094
Total Liabilities	13,823,995	5,577,197
DEFERRED INFLOWS OF RESOURCES		
Unearned Property Taxes	3,524,688	3,471,455
Pension Related Deferred Inflows	782,750	377,509
Total Deferred Inflows of Resources	4,307,438	3,848,964
NET POSITION		
District		
Net Investment in Capital Assets	64,308,215	61,083,242
Restricted:		
Tax Levy Restrictions:		
Liability Insurance	1,542,718	1,563,479
Employee Benefits	839,589	630,787
Other Tax Levy Restrictions	6,906	3,258
Unrestricted	3,477,556	3,096,184
Total District Net Position	70,174,984	66,376,950
Noncontrolling Interest in Net Position of Blended Component Unit	(298,238)	(327,621)
Total Net Position	$ 69,876,746	$ 66,049,329

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, 2016 and 2015

	2016	2015 As Restated
Operating Revenue		
Passenger Fares	$ 1,261,890	$ 1,256,601
Other Transportation Revenue	255,885	260,633
Other Operating Revenue	223,300	272,243
Total Operating Revenue	1,741,075	1,789,477
Operating Expenses		
Labor and Benefits	12,483,345	11,101,541
Professional Services	2,449,902	2,771,839
Materials and Supplies	1,570,709	1,801,435
Utilities	367,391	421,978
Insurance	571,517	276,752
Purchased Transportation	1,017,348	936,920
Leases	253,494	256,562
Miscellaneous	282,435	255,370
Depreciation	2,920,888	2,959,559
Bad Debt Expense	516	-
Total Operating Expenses	21,917,545	20,781,956
Operating Income (Loss)	(20,176,470)	(18,992,479)
Non-Operating Revenue (Expenses)		
Investment Income	1,624	3,231
Interest Expense	(16,389)	(39,792)
Amortization of Loss on Refunding	(31,588)	(32,808)
Property Taxes		
Levied	3,534,959	3,397,283
Replacement	174,458	197,057
Payments in Lieu of Taxes	16,000	15,554
Government Grants and Assistance		
State Operating Assistance	12,223,854	11,343,749
Federal Operating Assistance	2,324,337	1,610,893
Gain (Loss) on Disposal of Assets	(49,004)	(636,017)
Warranty Income	346,000	-
Total Non-Operating Revenue (Expenses)	18,524,251	15,859,150
Net Income (Loss) Before Capital Contributions	(1,652,219)	(3,133,329)
Capital Contributions		
State Capital Assistance	1,098,738	1,703,033
Federal Capital Assistance	4,380,898	1,967,318
Other Grants	-	197,628
Grant Refund Expense - Federal Capital Assistance	-	(580,000)
Total Capital Contributions	5,479,636	3,287,979
Net Increase (Decrease) in Net Position	3,827,417	154,650
Less: Noncontrolling Interest of Blended Component Unit Net Increase (Decrease) in Net Position	29,383	24,251
District Net Increase (Decrease) in Net Position	3,798,034	130,399
District Net Position - Beginning of Year	66,376,950	66,246,551
District Net Position - End of Year	$ 70,174,984	$ 66,376,950

See Accompanying Notes

Exhibit C

ROCK ISLAND COUNTY METROPOLITAN MASS TRANSIT DISTRICT
Statements of Cash Flows
For the Years Ended November 30, 2016 and 2015

	2016	2015 As Restated
Cash Flows From Operating Activities		
Cash Received for Passenger Fares	$ 1,251,209	$ 1,322,183
Cash Received From Special Transit Services and Advertising Income	255,885	260,633
Rent and Other Receipts	153,889	158,944
Wages Paid to Employees	(8,508,995)	(8,147,809)
Payments to Suppliers for Goods and Services	(8,978,692)	(9,375,637)
Net Cash Provided by (Used in) Operating Activities	(15,826,704)	(15,781,686)
Cash Flows From Non-Capital Financing Activities		
Operating Grant Proceeds		
State of Illinois	8,296,205	8,668,555
Federal Transit Administration	1,901,656	1,250,000
Funds Advanced by the City of Moline	-	124,760
Funds Repaid to the City of Moline	(124,760)	-
Property and Income Taxes Received	3,707,435	3,634,872
Principal Advances on Line of Credit	710,383	-
Principal Payments on Line of Credit	(400,000)	-
Interest Payments on Line of Credit	(652)	-
Net Cash Provided by (Used in) Non-Capital Financing Activities	14,090,267	13,678,187
Cash Flows From Capital and Related Financing Activities		
Capital Grant Proceeds		
State of Illinois	1,336,343	1,510,938
Federal Transit Administration	4,454,036	1,248,677
Other Grants	-	197,648
Principal Payments on Term Loans	(1,019,854)	(1,074,676)
Interest Payments on Term Loans	(15,456)	(39,792)
Cash Received for Disposals	13,463	580,000
Cash Received for Warranty Claim	346,000	-
Purchase and Construction of Capital Assets	(5,847,629)	(3,864,871)
Net Cash Provided by (Used in) Capital and Related Financing Activities	(733,097)	(1,442,076)
Cash Flows From Investing Activities		
Purchase of Investments	-	(3,000,000)
Sales of Investments	-	4,000,000
Interest Received	1,624	3,231
Net Cash Provided by (Used in) Investing Activities	1,624	1,003,231
Increase (Decrease) in Cash and Cash Equivalents	(2,467,910)	(2,542,344)
Cash and Cash Equivalents - Beginning of Year	2,665,555	5,207,899
Cash and Cash Equivalents - End of Year	$ 197,645	$ 2,665,555
Presented on the Statement of Net Position as Follows:		
Cash and Cash Equivalents	$ 55,655	$ 252,517
Cash and Cash Equivalents for Insurance and Employee Benefits	141,173	2,095,037
Cash and Cash Equivalents - Designated Funds	817	318,001
Cash and Cash Equivalents - End of Year	$ 197,645	$ 2,665,555

See Accompanying Notes

ROCK ISLAND COUNTY METROPOLITAN MASS TRANSIT DISTRICT
Statements of Cash Flows
For the Years Ended November 30, 2016 and 2015

	2016	2015 As Restated
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities		
Operating Income (Loss)	$ (20,176,470)	$ (18,992,479)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities		
Depreciation	2,920,888	2,959,559
Changes in Assets and Liabilities:		
Accounts Receivable	184,485	75,947
Prepaid Expenses	(17,663)	24,071
Inventory	7,706	7,550
Net Pension Asset	-	3,626
Pension Related Deferred Outflows	(1,351,596)	(984,374)
Accounts Payable	294,651	185,772
Other Liabilities	(5,264)	(55,840)
Accrued Wages and Benefits	67,856	46,756
Net Pension Liability	1,843,462	570,217
Pension Related Deferred Inflows	405,241	377,509
Net Adjustments	4,349,766	3,210,793
Net Cash Provided by (Used in) Operating Activities	$ (15,826,704)	$ (15,781,686)
Noncash Capital and Related Financing Activities		
Capital Assets Acquired through Issuance of Debt	$ 4,737,244	$ -

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, effective December 2015, 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. For comparability purposes with 2016 financial statements, the financial statements as of and for the year ended November 30, 2015 have been restated to include the Group as a blended component unit. The addition of the Group as a blended component unit had no impact on the previously reported net position of the District at November 30, 2015 and 2014 as the Group was included in the District's financial statements as an equity investment asset in fiscal year 2015 and previous years. 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, 2016 and 2015 are from the Group's fiscal years ended June 30, 2016 and 2015. 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, 2015, the District implemented GASB Statement Number 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement Number 27*.

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). 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. The District considers its deposit in the Illinois Funds Investment Pool to be a cash equivalent. The investment pool is essentially a demand deposit account and deposits and withdrawals may be made at any time without prior notice or penalty.

d. Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements or enabling legislation related to property taxes.

e. 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.

f. Receivables from government uits are considered to be fully collectible; accordingly, no allowance for doubtful accounts from governmental units is presented. Allowances of $467 and $1,431 are included for both fiscal years 2016 and 2015, respectively, for general accounts receivable. At November 30, 2016, the District had liabilities to the State of Illinois for operating assistance, which are shown as due to other governments. At November 30, 2015, the District had liabilities to the State of Illinois and City of Moline, which are shown as due to other governments.

g. 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 2016 property taxes are not due and collectible until June 2017 and are intended to finance the operations of fiscal year 2017, they are not considered earned as of November 30, 2016 and are, therefore, shown as unearned revenue and will be recognized as revenue in fiscal year 2017.

h. Prepaid expenses, such as for insurance, are deferred and expensed over the term when the services are received.

i. 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.

j. Purchased capital assets are valued at actual or estimated historical cost, while contributed capital assets are valued at their fair market value at the time of contribution.

Assets are capitalized if they are valued at more than $5,000 and have a useful life of more than one year. Depreciation is calculated on all capital assets other than land, construction in progress, works of art, and assets that appreciate in value using the straight-line method with the following useful lives:

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

k. The financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The District has two items that qualify for reporting in this category. The items, deferred charge on refunding and pension related deferred outflows, are reported in the Statement of Net Position. The deferred charge on refunding represents the excess of cash paid to the refunding bond escrow agent over the amount of refunding principal payments. The amount is deferred and recognized as an outflow of resources (expense) over the shorter of the remaining life of the refunded debt or the life of the refunding debt. The pension related deferred outflow consists of unrecognized items not yet charged to pension expense and contributions from the District after the measurement date of the net pension liability, December 31, 2015 and 2014, but before the end of the District's reporting periods of November 30, 2016, and 2015, respectively. This item will be included in the net pension liability and pension expense calculation in subsequent fiscal years.

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

l. It is the District's policy to allow employees to accumulate unused compensated sick leave. The District calculates the liability for unused sick leave included in compensated absences using the vesting method. The District considers accrued sick leave to be a noncurrent liability. It is the District's policy to allow employees to accrue sick leave to a maximum of 1,400 hours. Salaried employees hired prior to June 1, 2000, who terminate employment with the District, are eligible to receive compensation for unused sick leave at termination of employment with the District. Salaried employees hired after May 31, 2000, who terminate employment with the District and are vested with the Illinois Municipal Retirement Fund (IMRF), may have a portion of their unused sick leave benefits credit to their IMRF account towards their length of service. Employees covered in the collective bargaining agreements retiring in accordance with the eligibility provisions of IMRF guidelines or salaried employees retiring in accordance with IMRF's Early Retirement Incentive Program are eligible to credit unused sick leave for additional pension service credits.

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

m. 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.

n. 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.

o. 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.

p. 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.

3. Deposits and Investments

The District's investment policy allows 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. The District is also permitted to invest in the Illinois Funds Investment Pool, a money market pool created by the Illinois State Legislature under the control of the Illinois State Treasurer. The Illinois Funds are reported at $1 per share value, which equals the District's fair value of the pool.

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 and investments consist of the following at November 30:

	2016		2015	
	Bank Balance	Carrying Value	Bank Balance	Carrying Value
Cash				
Checking and Savings	$ 6,226,241	$ 190,555	$ 1,559,992	$ 1,453,111
Petty Cash	-	1,060	-	1,230
Cash Equivalents				
Money Market	6,030	6,030	1,210,577	1,210,577
Illinois Funds	-	-	637	637
Total	$ 6,232,271	$ 197,645	$ 2,771,206	$ 2,665,555

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, 2016, $5,725,657 of the District's $6,232,271 bank balance, which reconciles to a financial statement balance of $197,645, was exposed to custodial credit risk. $5,633,706 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. $91,951 belonging to the Group was uninsured and uncollateralized at June 30, 2015.

4. Due From and Due To Other Governments

The District had the following amounts due from and due to other governments at November 30, 2016 and 2015:

	2016	2015
Due from Other Governments:		
State of Illinois - Department of Transportation		
State Fiscal Year 2017 Operating Grant	$ 5,127,318	$ -
State Fiscal Year 2016 Operating Grant	1,020,670	2,220,339
State Fiscal Year 2013 Operating Grant	62,727	62,727
Federal Government - Internal Revenue Service	47,338	254,835
City of Davenport	3,924	4,485
Due from Other Governments	$ 6,261,977	$ 2,542,386
Due to Other Governments:		
State of Illinois - Department of Transportation		
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
Other State of Illinois	-	(20)
City of Moline, Illinois	-	124,760
Due to Other Governments	$ 831,372	$ 956,112

5. Blended Component Unit Condensed Financial Information

As discussed in Note 1, the District's financial statements for the years ended November 30, 2016 and 2015 include the Group's financial activity and balances for the Group's fiscal years ended June 30, 2016 and 2015, with applicable eliminations of activity and balances between the District and the Group.

Following is condensed financial information for the Group's fiscal years ended June 30, 2016 and 2015:

Condensed Statements of Net Position

	2016	2015
Assets		
Current	$ 911,484	$ 797,324
Capital Assets	-	4,937
Total Assets	911,484	802,261
Deferred Outflows of Resources	238,817	133,527
Liabilities		
Current		
Unearned Revenue from the District	296,535	200,414
Other Current Liabilities	173,818	160,716
Non-Current	760,265	716,019
Total Liabilities	1,230,618	1,077,149
Deferred Inflows of Resources	337,717	346,632
Net Position		
Net Investment in Capital Assets	-	4,937
Unrestricted	(418,034)	(492,930)
Total Net Position	$ (418,034)	$ (487,993)

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

	2016	2015
Operating Revenue		
Revenue from the District	$ 3,523,279	$ 3,743,338
Other Operating Revenue	19,685	65,170
Total Operating Revenue	3,542,964	3,808,508
Operating Expenses	3,468,068	3,750,767
Operating Income (Loss)	74,896	57,741
Non-Operating Income (Loss)	(4,937)	-
Net Increase (Decrease) in Net Position	69,959	57,741
Net Position - Beginning of the Year	(487,993)	(545,734)
Net Position - End of the Year	$ (418,034)	$ (487,993)

Condensed Statements of Cash Flows

	2016	2015
Net Cash Provided by (Used in)		
Operating Activities	$ 131,190	$ (20,051)
Cash and Cash Equivalents - Beginning of Year	199,425	219,476
Cash and Cash Equivalents - End of Year	$ 330,615	$ 199,425

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, 2016 was a net unearned revenue from the District of $274,960 on the statement of net position of the Group. This amount has been netted against the Group's cash balance presented in the consolidated financial statements of the District as operations between the two entities between June 30, 2016 and November 30, 2016 resulted in the Group's cash and unearned revenue from the District decreasing significantly. The net difference at November 30, 2015 was a net unearned revenue from the District of $17,982 on the statement of net position of the Group. This amount has been added to the Group's accounts payable balance presented in the consolidated financial statements for November 30, 2015.

6. Capital Assets

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

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

Included in construction in progress at June 30, 2016 and 2015 is $5,349,063 and $3,163,531, respectively, related to an asset that will be turned over to the City of Moline, Illinois, at completion, which is projected in fiscal year 2017.

Capital asset activity for the year ended November 30, 2015 was as follows:

	November 30, 2014	Additions and Adjustments	Disposals and Adjustments	November 30, 2015
Used in Operations				
Not Being Depreciated:				
Land	$ 968,797	$ -	$ -	$ 968,797
Intangible Assets	315,000	-	-	315,000
Construction in Progress	1,187,572	3,104,163	-	4,291,735
Total Not Being Depreciated	2,471,369	3,104,163	-	5,575,532
Being Depreciated:				
Buildings and Improvements	51,634,143	261,519	190,841	51,704,821
Vehicles	23,858,016	-	448,886	23,409,130
Equipment	8,177,342	499,188	217,249	8,459,281
Total Being Depreciated	83,669,501	760,707	856,976	83,573,232
Total Cost	86,140,870	3,864,870	856,976	89,148,764
Less: Accumulated Depreciation				
Buildings and Improvements	4,515,685	1,297,324	190,841	5,622,168
Vehicles	15,236,936	1,265,222	102,870	16,399,288
Equipment	5,053,759	397,013	217,249	5,233,523
Total Accumulated Depreciation	24,806,380	2,959,559	510,960	27,254,979
Total Capital Assets Used in Operations	61,334,490	905,311	346,016	61,893,785
Held for Sale				
Land	529,949	-	529,949	-
Building	340,051	-	340,051	-
Total Capital Assets Held for Sale	870,000	-	870,000	-
Net Capital Assets	$ 62,204,490	$ 905,311	$ 1,216,016	$ 61,893,785

Depreciation for transit operations for the years ended November 30, 2016 and 2015 was $2,920,888 and $2,959,559, respectively.

During fiscal year 2014, the District adopted a plan to dispose of the land and building located at 2929 Fifth Avenue in Rock Island, Illinois. The assets were held for sale at November 30, 2014 and then sold during fiscal year 2015. In fiscal year 2014, the carrying values of the capital assets held for sale were deemed to be higher than the estimated net realizable value at the time of closure. An impairment loss of $2,368,798 was recorded in fiscal year 2014 to adjust these capital assets to their estimated net realizable value at November 30, 2014, and no additional depreciation was taken on these assets. In fiscal year 2015, the property was sold for $580,000 and an additional loss of $290,000 was recognized.

7. Notes Payable

Line of Credit

The District has a $2,000,000 bank operating line of credit that bears interest at the Prime Rate as published in the Wall Street Journal with a minimum variable interest rate of 3.40 percent and a maximum rate of 5.25 percent, payable monthly, and is secured by all deposit accounts at the bank. The interest rate at November 30, 2016 was 3.75 percent. This operating line of credit expires May 2017. The District utilizes the line of credit for operating purposes. Outstanding amounts were $310,383 and $0 at November 30, 2016 and 2015, respectively.

Term Loans

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

In November 2016, the District borrowed $4,737,244 for the purchase of ten CNG buses. The loan carries an interest rate equal to the Federal Home Loan Bank of Des Moines index rate plus .35 percentage points, but may be adjusted only once in a five-year period. The current interest rate is 2.59 percent. The loan is secured by the District's assets. The loan calls for 60 monthly payments of $84,435 through December 15, 2021. The balance at November 30, 2016 was $4,737,244.

Term loan service requirements to maturity are as follows:

Year Ending November 30	Principal	Interest	Totals
2017	$ 961,792	$ 112,619	$ 1,074,411
2018	921,382	91,835	1,013,217
2019	945,870	67,346	1,013,216
2020	970,877	42,339	1,013,216
2021	996,814	16,403	1,013,217
2022	84,253	181	84,434
Total	$ 4,880,988	$ 330,723	$ 5,211,711

Long-Term Obligation Summary

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

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

The following is a summary of changes to the District's long-term debt for the fiscal year 2015:

	November 30, 2014	Issued	Retired	November 30, 2015	Due Within One Year
Term Loans	$ 2,238,274	$ -	$ 1,074,676	$ 1,163,598	$ 1,019,857
OPEB Obligation	26,475	9,157	2,895	32,737	-
Net Pension Liability	1,088,738	1,859,309	1,285,466	1,662,581	-
Accrued Sick Leave	192,019	25,258	17,242	200,035	-
Totals	$ 3,545,506	$ 1,893,724	$ 2,380,279	$ 3,058,951	$ 1,019,857

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 1-2/3 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, 2015, the following employees were covered by the benefit terms:

Retirees and Beneficiaries currently receiving benefits	76
Inactive Plan Members entitled to but not yet receiving benefits	88
Active Plan Members	138
Total	302

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 2015 and 2016 were 11.26 percent and 11.45 percent, respectively. For the fiscal year ended November 30, 2016, the District contributed $919,502 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, 2015. 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, 2015:

- The Actuarial Cost Method used was Entry Age Normal.
- The Asset Valuation Method used was Market Value of Assets.
- The Inflation Rate was assumed to be 2.75 percent.
- Salary Increases were expected to be 3.75 percent to 14.50 percent, including inflation.
- The Investment Rate of Return was assumed to be 7.50 percent.
- Projected Retirement Age was from the Experience-based Table of Rates, specific to the type of eligibility condition, last updated for the 2014 valuation according to an experience study from years 2011 to 2013.
- The IMRF-specific rates for Mortality (for non-disabled retirees) were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience.
- For Disabled Retirees, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table, applying the same adjustments that were applied for non-disabled lives.
- For Active Members, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.
- The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return to the target asset allocation percent and adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Portfolio Target Percentage	Long-Term Expected Real Rate of Return
Domestic Equity	38%	7.40%
International Equity	17%	7.59%
Fixed Income	27%	3.00%
Real Estate	8%	6.00%
Alternative Investments	9%	2.75-8.15%
Cash Equivalents	1%	2.25%
Total	100%	

There have been no changes in assumptions between the measurement dates other than changes in actuarial mortality tables.

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 3.57 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, 2014	$ 29,050,304	$ 28,103,742	$ 946,562
Changes for the year:			
Service Cost	671,151	-	671,151
Interest on the Total Pension Liability	2,156,372	-	2,156,372
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience of the Total Pension Liability	(552,289)	-	(552,289)
Changes of Assumptions	-	-	-
Contributions - Employer	-	801,276	(801,276)
Contributions - Employees	-	295,554	(295,554)
Net Investment Income	-	140,090	(140,090)
Benefit Payments, including Refunds of Employee Contributions	(1,268,501)	(1,268,501)	-
Other (Net Transfer)	-	(760,902)	760,902
Net Changes	1,006,733	(792,483)	1,799,216
Balances at December 31, 2015	$ 30,057,037	$ 27,311,259	$ 2,745,778

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)	$ 6,662,744	$ 2,745,778	$ (495,190)

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

For the year ended November 30, 2016, the District recognized pension expense of $1,886,568. At November 30, 2016, 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	$ -	$ 445,033
Changes of assumptions	560,094	-
Net difference between projected and actual Earnings on pension plan investments	1,768,194	-
Total Deferred Amounts to be recognized in Pension expense in future periods	2,328,288	445,033
Pension Contributions made subsequent to the Measurement Date	831,489	-
Total Deferred Amounts Related to Pensions	$ 3,159,777	$ 445,033

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

Fiscal Year Ended November 30	Net Deferred Outflows of Resources
2017	$ 1,399,626
2018	568,137
2019	397,855
2020	349,126
Total	$ 2,714,744

Payables to the Pension Plan

At November 30, 2016, the District reported payables to IMRF of $64,034 for legally required employer contributions and $25,166 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 2016, pursuant to the required rate, regular members contributed 5.95 percent of pay and the Group contributed 8.93 percent for a total rate of 14.88 percent.

The Group's total contributions to IPERS for the year ended June 30, 2016 were $92,647.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2016, the Group reported a liability of $760,265 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, 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, 2015, the Group's collective proportion was .0152927 percent, which was a decrease of .0023995 percent from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Group recognized IPERS pension expense of $22,688, which is included in Labor and Benefits operating expense on the statement of revenues, expenses, and changes in net position along with other non-IPERS pension expenses incurred by the Group. At June 30, 2016, 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	$ 11,487	$ -
Changes of Assumptions	20,932	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	113,751	177,026
Changes in Proportion and Difference Between Group Contributions and Proportionate Share of Contributions	-	160,691
Group Contributions Subsequent to the Measurement Date	92,647	-
Total	$ 238,817	$ 337,717

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

Fiscal Year Ended June 30,	
2017	$ (74,695)
2018	(74,695)
2019	(74,695)
2020	32,152
2021	386
Total	$ (191,547)

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, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (Effective June 30, 2015)	3.00 percent per annum
Rates of Salary Increases (Effective June 30, 1999)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group
Long-term Investment Rate of Return (Effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of the most recent actuarial experience study. The most recent analysis was performed for the period covering fiscal years 2010 to 2013, and was reported in May 2014.

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

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

Asset Class	Asset Allocation Percentage	L-T Expected Real Rate of Return
U.S. Equity	24	6.29
Non U.S. Equity	16	6.75
Private Equity	11	11.32
Real Estate	8	3.48
Core Plus Fixed Income	28	2.04
Credit Opportunities	5	3.63
TIPS	5	1.91
Other Real Estate	2	6.24
Cash	1	-0.71
Total	100	

Discount Rate – The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the Group will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (6.5%)	Discount Rate Used (7.5%)	1% Increase (8.5%)
Group's Proportionate Share of of the Net Pension Liability	$ 1,331,088	$ 760,265	$ 278,450

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, 2016, the Group reported payables to the defined benefit pension plan of $7,146 for legally required employer contributions and $4,762 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

9. Other Post-Employment Benefits

Plan Description, Provisions, and Funding Policy

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

Retirees participating in the plan contribute 100 percent of the blended premium. The District, by paying the blended premium for active employees, in effect contributes the difference between the blended premium and the age adjusted premium towards retiree benefits. For fiscal years 2016 and 2015, the District contributed $3,081 and $2,895, 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:

	2016	2015
Annual Required Contribution	$ 9,741	$ 9,599
Interest on Net OPEB Obligation	1,309	1,059
Adjustment to Annual Required Contribution	(1,856)	(1,501)
Annual OPEB Cost	9,194	9,157
Contributions Made	3,081	2,895
Participating Employer's Increase (Decrease) in Net OPEB Obligation	6,113	6,262
Net OPEB Obligation - Beginning of Year	32,737	26,475
Net OPEB Obligation - End of Year	$ 38,850	$ 32,737

Three-Year Trend Information for the Plan:

Fiscal Year Ending November 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2016	$ 9,194	66.5%	$ 38,850
2015	9,157	68.4%	32,737
2014	12,458	52.2%	26,475

Funded Status and Funding Progress

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

Actuarial Accrued Liability (AAL)	$ 103,731
Actuarial Value of Plan Assets	$ -
Unfunded Actuarial Accrued Liability (UAAL)	$ 103,731
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0.0%
Covered Payroll	$ 5,544,074
AAL as a percent of Covered Payroll (Active Plan Members)	1.9%

As of November 30, 2014, the most recent valuation date, the plan was zero percent funded. The accrued liability for benefits was $103,731 and the value of assets was $0, resulting in an unfunded accrued liability (UAL) of $103,731. The covered payroll (annual payroll of active employees covered by the plan) was $5,544,074, 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, 2016 was 28 years.

10. Risk Management

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

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

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

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

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

11. Lease Commitments

The District is obligated under various operating leases for office facilities, docking facility, and equipment under non-cancelable operating leases, with terms expiring between January 2017 and April 2021. Total costs for such leases were $196,500 and $172,325 for the years ended November 30, 2016 and 2015, respectively. The District also is responsible for its proportionate share, which was 25 percent for 2016, of costs for common area maintenance and property taxes related to the office lease. The average monthly payment amount in 2016 for common area maintenance and property taxes was $4,815.

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

Fiscal Years Ending November 30		
2017	$	163,328
2018		148,912
2019		144,446
2020		137,047
2021		45,682
Total	$	639,415

12. Related-Party Balances and Transactions

The District, through its blended component unit the Group, has transaction and balances related to activities with the City of Davenport, Iowa (Davenport), which has an equity ownership interest in the Group. Total receivables due from Davenport in the statement of net position for November 30, 2016 and 2015, were $3,924 and $4,485, respectively. Total accounts payable due to Davenport in the statement of net position for November 30, 2016 and 2015, were $0 and $5,236, respectively. Total revenue related to Davenport for fiscal years 2016 and 2015 were $19,685 and $65,170, respectively.

13. Other Commitments

The District had eleven in-progress contracts related to various capital or operational projects through the date of the Independent Auditor's Report. The remaining commitment on these contracts, after costs incurred through November 30, 2016, was approximately $13,000,000. The majority of these commitments will be funded with grants from federal and State of Illinois agencies, or through cost sharing agreements with other local government units.

14. Contingent Liabilities

Litigation

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

Federal and State Grants

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

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)

	2015	2014
Total Pension Liability		
Service Cost	$ 671,151	$ 738,240
Interest on the Total Pension Liability	2,156,372	1,972,268
Changes of Benefit Terms	-	-
Differences Between Expected and Actual Experience of the Total Pension Liability	(552,289)	(40,292)
Changes of Assumptions	-	1,051,532
Benefit Payments, including Refunds of Employee Contributions	(1,268,501)	(1,198,469)
Net Change in Total Pension Liability	1,006,733	2,523,279
Total Pension Liability - Beginning	29,050,304	26,527,025
Total Pension Liability - Ending (A)	$ 30,057,037	$ 29,050,304
Plan Fiduciary Net Position		
Contributions - Employer	$ 801,276	$ 909,121
Contributions - Employees	295,554	279,826
Net Investment Income	140,090	1,618,079
Benefit Payments, including Refunds of Employee Contributions	(1,268,501)	(1,198,469)
Other (Net Transfer)	(760,902)	(35,466)
Net Change in Plan Fiduciary Net Position	(792,483)	1,573,091
Plan Fiduciary Net Position - Beginning	28,103,742	26,530,651
Plan Fiduciary Net Position - Ending (B)	$ 27,311,259	$ 28,103,742
Net Pension Liability - Ending (A) - (B)	$ 2,745,778	$ 946,562
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	90.86%	96.74%
Covered Employee Payroll	$ 6,567,831	$ 6,218,342
Net Pension Liability as a Percentage of Covered Employee Payroll	41.81%	15.22%

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

Schedule 2

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 Employee Payroll	Actual Contribution as a Percentage of Covered Employee Payroll	
2015	$ 801,276	$ 801,276	$ -	$ 6,567,831	12.20%	
2014	909,121	909,121	-	6,218,342	14.62%	
2013	961,846	937,043	24,803	6,049,346	15.49%	(2)
2012	917,131	858,020	59,111	6,093,894	14.08%	(2)
2011	961,043	763,111	197,932	5,961,804	12.80%	(2)

Notes:

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

(2) IMRF provided a phase in contribution rate resulting in a slight difference between required and actual contributions. During the District's 2013 fiscal year, the District made an additional catch up payment to ensure the net pension obligation remained at $0 as of November 30, 2013.

Summary of Actuarial Methods and Assumptions Used in the Calculation of the 2015 Contribution Rate*

Valuation Date:

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

Methods and Assumptions Used to Determine 2015 Contribution Rates:

Actuarial Cost Method:	Aggregate entry age normal
Amortization Method:	Level percentage of payroll, closed
Remaining Amortization Period:	28-year closed period until remaining period reaches 15 years, then 15-year rolling
Asset Valuation Method:	5-year smoothed market; 20% corridor
Wage Growth:	4%
Price Inflation:	3%, approximate; No explicit price inflation assumption is used in this valuation.
Salary Increases:	4.40% to 16%, 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 2011 valuation pursuant to an experience study of the period 2008 to 2010.
Mortality:	RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA. For men, 120% of the table rates were used. For women, 92 percent of the table rates were used. For disabled lives, the mortality rates are the rates applicable to non-disabled lives set forward 10 years.

Other Information:

Notes:	There were no benefit changes during the year.

* Based on Valuation Assumptions used in the December 31, 2013, 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)

	2016	2015	2014
Group's Proportion of the Net Pension Liability (Asset)	0.0152927%	0.0176922%	0.0192930%
Group's Proportionate Share of the Net Pension Liability	$ 760,265	$ 716,019	$ 1,092,364
Group's Covered-employee Payroll	$ 1,037,480	$ 1,054,255	$ 1,181,400
Group's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-employee Payroll	73.28%	67.92%	92.46%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.19%	87.61%	81.25%

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

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

Required Supplementary Information
(Unaudited)

	2016	2015	2014	2013	2012
Statutorily Required Contribution	$ 92,647	$ 94,145	$ 105,499	$ 108,184	$ 103,305
Contributions in Relation to the Statutorily Required Contribution	92,647	94,145	105,499	108,184	103,305
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Group's Covered-employee Payroll	$ 1,037,480	$ 1,054,255	$ 1,181,400	$ 1,247,797	$ 1,280,112
Contribution as a Percentage of Covered-employee Payroll	8.93%	8.93%	8.93%	8.67%	8.07%

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

Changes of Benefit and Funding Terms:

The following changes were made in the valuation performed as of June 30, 2015:

None

Changes of Actuarial Assumptions:

The 2015 valuation implemented the following refinements:

None

ROCK ISLAND COUNTY METROPOLITAN MASS TRANSIT DISTRICT
Schedule of Funding Progress – Other Post-Employment Benefits
November 30, 2016
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 2015.

SUPPLEMENTARY INFORMATION

ROCK ISLAND COUNTY METROPOLITAN MASS TRANSIT DISTRICT
Combining Schedule of Net Position by Sub-Fund - Excluding Blended Component Unit
November 30, 2016

	Operating	Insurance	Eliminations	Total
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ (2,142,799)	$ -	$ -	$ (2,142,799)
Restricted Assets				
Cash and Cash Equivalents for Insurance and Employee Benefits	2,269,287	14,685	-	2,283,972
Property Taxes Receivable	105,242	-	-	105,242
Receivables				
Property Taxes Receivable	3,557,428	-	-	3,557,428
Accounts Receivable, Net of Allowance	117,735	-	-	117,735
Federal and State Grants Receivable	1,770,596	-	-	1,770,596
Due from Other Governments	6,258,053	-	-	6,258,053
Quad City Garage Policy Group Receivable	21,575	-	-	21,575
Due from Operating Fund	-	1,028,000	(1,028,000)	-
Prepaid Expenses	366,601	-	-	366,601
Inventory	13,846	-	-	13,846
Total Current Assets	12,337,564	1,042,685	(1,028,000)	12,352,249
Noncurrent Assets:				
Cash and Cash Equivalents - Designated Funds	817	-	-	817
Investment in Quad City Garage Policy Group	(119,796)	-	-	(119,796)
Capital Assets				
Not Being Depreciated	6,632,860	-	-	6,632,860
Being Depreciated				
Property and Equipment	91,208,241	-	-	91,208,241
Accumulated Depreciation	(28,345,798)	-	-	(28,345,798)
Total Noncurrent Assets	69,376,324	-	-	69,376,324
Total Assets	81,713,888	1,042,685	(1,028,000)	81,728,573
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Charge on Refunding	3,468	-	-	3,468
Pension Related Deferred Outflows	3,159,777	-	-	3,159,777
Total Deferred Outflows of Resources	3,163,245	-	-	3,163,245
LIABILITIES				
Current Liabilities:				
Accounts Payable	1,273,684	-	-	1,273,684
Accrued Payroll and Payroll Taxes	294,996	-	-	294,996
Accrued Leave	144,289	-	-	144,289
Accrued Interest	281	-	-	281
Due to Other Governments	831,372	-	-	831,372
Due to Insurance Fund	1,028,000	-	(1,028,000)	-
Unearned Other Revenue	25,707	-	-	25,707
Notes Payable	1,272,175	-	-	1,272,175
Total Current Liabilities	4,870,504	-	(1,028,000)	3,842,504
Noncurrent Liabilities:				
Notes Payable - Net of Current	3,919,196	-	-	3,919,196
Accrued Leave - Net of Current	200,785	-	-	200,785
Net Pension Liability	2,745,778	-	-	2,745,778
Other Post-Employment Benefits Obligation	38,850	-	-	38,850
Total Noncurrent Liabilities	6,904,609	-	-	6,904,609
Total Liabilities	11,775,113	-	(1,028,000)	10,747,113
DEFERRED INFLOWS OF RESOURCES				
Unearned Property Taxes	3,524,688	-	-	3,524,688
Pension Related - Deferred Inflows	445,033	-	-	445,033
Total Deferred Inflows of Resources	3,969,721	-	-	3,969,721
NET POSITION				
Net Investment in Capital Assets	64,308,215	-	-	64,308,215
Restricted:				
Tax Levy Restrictions for:				
Liability Insurance	1,528,033	14,685	-	1,542,718
Employee Benefits	839,589	-	-	839,589
Other Tax Levy Restrictions	6,906	-	-	6,906
Unrestricted	2,449,556	1,028,000	-	3,477,556
Total Net Position	$ 69,132,299	$ 1,042,685	$ -	$ 70,174,984

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, 2016

	Operating	Insurance	Total
Operating Revenues			
Passenger Fares	$ 1,261,890	$ -	$ 1,261,890
Other Transportation Revenue	255,885	-	255,885
Other Operating Revenue	203,615	-	203,615
Total Operating Revenues	1,721,390	-	1,721,390
Operating Expenses			
Labor and Benefits	12,508,841	-	12,508,841
Professional Services	2,460,518	-	2,460,518
Materials and Supplies	1,588,941	-	1,588,941
Utilities	367,509	-	367,509
Insurance	552,408	19,700	572,108
Purchased Transportation	1,017,348	-	1,017,348
Leases	253,577	-	253,577
Miscellaneous	282,510	-	282,510
Depreciation	2,920,888	-	2,920,888
Bad Debt Expense	516	-	516
Total Operating Expenses	21,953,056	19,700	21,972,756
Operating Income (Loss)	(20,231,666)	(19,700)	(20,251,366)
Non-Operating Revenues (Expenses)			
Investment Income	1,557	67	1,624
Interest Expense	(16,389)	-	(16,389)
Amortization of Loss on Refunding	(31,588)	-	(31,588)
Property Taxes			
Levied	3,534,959	-	3,534,959
Replacement	174,458	-	174,458
Payment in Lieu of Taxes	16,000	-	16,000
Equity in Net Income (Loss) of Quad City Garage Policy Group	40,576	-	40,576
Government Grants and Assistance			
State Operating Assistance	12,223,854	-	12,223,854
Federal Operating Assistance	2,324,337	-	2,324,337
Gain (Loss) on Disposal of Assets	(44,067)	-	(44,067)
Warranty Income	346,000	-	346,000
Total Non-Operating Revenues (Expenses)	18,569,697	67	18,569,764
Net Income (Loss) Before Capital Contributions	(1,661,969)	(19,633)	(1,681,602)
Capital Contributions			
State Capital Assistance	1,098,738	-	1,098,738
Federal Capital Assistance	4,380,898	-	4,380,898
Total Capital Contributions	5,479,636	-	5,479,636
Net Increase (Decrease) in Net Position	3,817,667	(19,633)	3,798,034
Net Position - Beginning of Year	65,314,632	1,062,318	66,376,950
Net Position - End of Year	$ 69,132,299	$ 1,042,685	$ 70,174,984

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, 2016

	Operating	Insurance	Total
Cash Flows From Operating Activities			
Cash Received for Transit Fares	$ 1,251,209	$ -	$ 1,251,209
Cash Received From Special Transit Services and Advertising Income	255,885	-	255,885
Rent and Other Receipts	203,615	-	203,615
Wages Paid to Employees	(7,897,399)	-	(7,897,399)
Payments to Suppliers for Goods and Services	(9,476,544)	(19,700)	(9,496,244)
Net Cash Provided by (Used in) Operating Activities	(15,663,234)	(19,700)	(15,682,934)
Cash Flows From Non-Capital Financing Activities			
Operating Grant Proceeds			
State of Illinois	8,296,205	-	8,296,205
Federal Transit Administration	1,901,656	-	1,901,656
Funds Repaid to the City of Moline	(124,760)	-	(124,760)
Property and Income Taxes Received	3,707,435	-	3,707,435
Principal Advances on Line of Credit	710,383	-	710,383
Principal Payments on Line of Credit	(400,000)	-	(400,000)
Interest Payments on Line of Credit	(652)	-	(652)
Interfund Loans	28,000	(28,000)	-
Net Cash Provided by (Used in) Non-Capital Financing Activities	14,118,267	(28,000)	14,090,267
Cash Flows From Capital and Related Financing Activities			
Capital Grant Proceeds			
State of Illinois	1,336,343	-	1,336,343
Federal Transit Administration	4,454,036	-	4,454,036
Principal Payments on Term Loans	(1,019,854)	-	(1,019,854)
Interest Payments on Term Loans	(15,456)	-	(15,456)
Cash Received for Disposals	13,463	-	13,463
Cash Received for Warranty Claim	346,000	-	346,000
Purchase and Construction of Capital Assets	(5,847,629)	-	(5,847,629)
Net Cash Provided by (Used in) Capital and Related Financing Activities	(733,097)	-	(733,097)
Cash Flows From Investing Activities			
Interest Received	1,557	67	1,624
Increase (Decrease) in Cash and Cash Equivalents	(2,276,507)	(47,633)	(2,324,140)
Cash and Cash Equivalents, Beginning of Year	2,403,812	62,318	2,466,130
Cash and Cash Equivalents, End of Year	$ 127,305	$ 14,685	$ 141,990
Presented on the Statement of Net Position as Follows:			
Cash and Cash Equivalents	$ (2,142,799)	$ -	$ (2,142,799)
Cash and Cash Equivalents for Insurance and Employee Benefits	2,269,287	14,685	2,283,972
Cash and Cash Equivalents - Designated Funds	817	-	817
Cash and Cash Equivalents - End of Year	$ 127,305	$ 14,685	$ 141,990

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, 2016

	Operating	Insurance	Total
Reconciliation of Operating Income (Loss) to Net			
Cash Provided by (Used in) Operating Activities			
Operating Income (Loss)	$ (20,231,666)	$ (19,700)	$ (20,251,366)
Adjustments to Reconcile Operating Income (Loss) to			
Net Cash Provided by (Used in) Operating Activities			
Depreciation	2,920,888	-	2,920,888
Changes in Assets and Liabilities			
Accounts Receivable	344,975	-	344,975
Prepaid Expenses	(23,395)	-	(23,395)
Inventory	(3,225)	-	(3,225)
Pension Related Deferred Outflows	(1,246,306)	-	(1,246,306)
Accounts Payable	292,209	-	292,209
Other Liabilities	12,718	-	12,718
Accrued Wages and Benefits	57,196	-	57,196
Net Pension Liability	1,799,216	-	1,799,216
Pension Related Deferred Inflows	414,156	-	414,156
Net Adjustments	4,568,432	-	4,568,432
Net Cash Provided by (Used in) Operating Activities	$ (15,663,234)	$ (19,700)	$ (15,682,934)
Noncash Capital and Related Financing Activities			
Capital Assets Acquired through Issuance of Debt	$ 4,737,244	$ -	$ 4,737,244

ROCK ISLAND COUNTY METROPOLITAN MASS TRANSIT DISTRICT
Schedule of Property, Plant, and Equipment - Excluding Blended Component Unit
For the Year Ended November 30, 2016

	Balance at November 30, 2015	Additions and Adjustments	Deletions and Adjustments	Balance at November 30, 2016
Land	$ 968,797	$ -	$ -	$ 968,797
Intangible Assets	315,000	-	-	315,000
Buses Low floor	2,970,462	-	1,411,686	1,558,776
EZ Transit Buses	1,171,933	291,000	55,668	1,407,265
ADA Transit Van	162,706	82,000	34,038	210,668
Buses - 15 Passengers	96,792	-	-	96,792
Buses - CNG	15,887,855	5,684,693		21,572,548
Buses - 2003 New Flyer	2,164,448	-	-	2,164,448
Spare Parts	663	-	-	663
Channel Cat Boats	567,809	-	-	567,809
Autos	226,819	-	21,507	205,312
Tram	70,000	-	-	70,000
Shelters	1,269,484	2,651,483	38,788	3,882,179
Radios	80,832	-	-	80,832
Camera Equipment	1,015,746		-	1,015,746
Fare Boxes	351,554	-	-	351,554
Computers	718,696	50,121	12,541	756,276
Office Equipment	279,923	-	-	279,923
Building Garage	39,226,089	108,351	-	39,334,440
CNG Fueling Station	3,200,528	14,879	-	3,215,407
Shop Equipment	111,599	-		111,599
Service Truck	78,873	-	-	78,873
Parts Truck	11,433	-	-	11,433
STS Building	332,480	71,628	-	404,108
Community Transit Centre (CTC)	8,479,111	-	5,133	8,473,978
East Moline Transfer Facility	2,301,643	-	18,025	2,283,618
AVLS System	2,276,692	479,026	8,661	2,747,057
Access Control	141,540	-	49,500	92,040
Website	104,409	29,057	59,891	73,575
Rights of Way/Improvements	96,013	65,308	-	161,321
Construction in Progress				
Southpark Mall Shelter	1,023,970	51,691	1,075,661	-
Ferryboat Terminal	104,235	1,392,322	1,496,557	-
Multi Modal Facility	3,163,531	2,185,533	-	5,349,064
Totals	88,971,665	13,157,092	4,287,656	97,841,101
Accumulated Depreciation	27,082,817	2,920,888	1,657,907	28,345,798
Net Property, Plant and Equipment	$ 61,888,848	$ 10,236,204	$ 2,629,749	$ 69,495,303

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, 2016

	Budget	Actual	Over/(Under)
Operating Revenues			
Passenger Fares	$ 1,199,861	$ 1,261,890	$ 62,029
Other Transportation Revenue	263,166	255,885	(7,281)
Other Operating Revenue	173,779	203,615	29,836
Bad Debt Expense	(5,200)	(516)	4,684
Total Operating Revenues	1,631,606	1,720,874	89,268
Operating Expenses			
Operators' Salaries and Wages	3,922,340	3,946,584	24,244
Salaries and Wages - Other	3,114,417	3,058,483	(55,934)
Social Security	588,093	584,569	(3,524)
Pension	1,109,967	1,886,568	776,601
Group Health Insurance	1,703,033	1,650,186	(52,847)
Group Life Insurance	27,347	27,991	644
Disability Insurance	8,321	8,122	(199)
Unemployment Tax	35,668	27,647	(8,021)
Workers' Compensation	311,884	313,162	1,278
Sick Leave	183,933	189,275	5,342
Holiday	214,553	224,401	9,848
Vacation	458,102	435,973	(22,129)
Other Paid Leave	32,291	39,826	7,535
Uniform Allowance	48,389	61,365	12,976
OPEB Expense	-	6,113	6,113
Other Fringe Benefits	37,416	26,327	(11,089)
Training	35,385	18,289	(17,096)
Tuition Reimbursement	10,000	3,960	(6,040)
Management Fees	296,340	43,956	(252,384)
Advertising and Media Fees	163,000	91,476	(71,524)
Professional Services	505,576	560,415	54,839
Temporary Services	133,000	69,056	(63,944)
Contract Maintenance	670,374	738,056	67,682
Custodial Services	742,393	663,515	(78,878)
Security Services	245,269	229,657	(15,612)
Other Services	55,281	64,387	9,106
Fuel and Lubricants	1,167,323	348,285	(819,038)
Tires	119,947	139,282	19,335
Other Materials and Supplies	1,382,436	1,101,374	(281,062)
Utilities (Gas and Electric)	317,861	287,933	(29,928)
Utilities (Cell and Telephones)	78,552	79,576	1,024
Property Damage Premiums	20,127	0	(20,127)
Public Liability and Physical Damage	550,119	552,048	1,929
Other Corporate Premiums	400	360	(40)
Vehicle Licensing	2,100	3,186	1,086
Purchased Transportation	859,117	1,017,348	158,231
Dues and Subscriptions	68,480	65,941	(2,539)
Travel and Meetings	91,500	60,277	(31,223)
Advertising and Promotion - Internal	118,250	139,888	21,638
Miscellaneous	50,003	13,218	(36,785)
Leases and Rentals	260,315	253,577	(6,738)
Depreciation	3,159,145	2,920,888	(238,257)
Total Operating Expenses	22,898,047	21,952,540	(945,507)

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, 2016

	Budget	Actual	Over/(Under)
Operating Income (Loss)	(21,266,441)	(20,231,666)	1,034,775
Non-Operating Revenues (Expenses)			
Investment Income	-	1,557	1,557
Interest Expense	(73,951)	(16,389)	57,562
Amortization of Loss on Refunding	-	(31,588)	(31,588)
Property Taxes			
Levied	3,471,455	3,534,959	63,504
Replacement	188,443	174,458	(13,985)
Payment in Lieu of Taxes	15,500	16,000	500
Equity in Net Income (Loss) of Quad City Garage Policy Group	-	40,576	40,576
Government Grants and Assistance			
State Operating Assistance	12,881,734	12,223,854	(657,880)
Federal Operating Assistance	1,625,000	2,324,337	699,337
Warranty Income	-	346,000	346,000
Gain (Loss) on Disposal of Assets	-	(44,067)	(44,067)
Total Non-Operating Revenues (Expenses)	18,108,181	18,569,697	461,516
Net Income (Loss) Before Capital Contributions and Transfers	$ (3,158,260)	$ (1,661,969)	$ 1,496,291

ROCK ISLAND COUNTY METROPOLITAN MASS TRANSIT DISTRICT
Schedule of Revenues and Expenses
Under Downstate Operating Assistance Grant OP-16-03-IL
For the State Fiscal Year Ended June 30, 2016

Operating Revenues:			
401	Passenger Fares for Transit Services	$	1,263,050
406	Auxiliary Revenue		264,948
407	Non-Transportation Revenue		188,434
413	Federal Cash Grants and Reimbursements		1,566,839
	Total Operating Revenues	$	3,283,271
Operating Expenses:			
501	Labor	$	6,943,481
502	Fringe Benefits		5,018,150
503	Professional Services		2,669,469
504	Materials and Supplies Consumed		1,648,474
505	Utilities		359,273
506	Casualty and Liability		513,632
507	Taxes		1,587
508	Net Purchased Transportation		986,397
509	Miscellaneous Expense		276,037
512	Leases, Rentals, and Purchase/Lease Payments		245,729
517	Debt Service on Equipment/Facilities		25,786
	Total Operating Expenses		18,688,015
Less:	Ineligible Operating Expenses:		
	Reimbursed Expenses		44,713
	APTA Dues (10%)		2,585
	IPTA Dues (20%)		1,700
	Audit Fee		7,146
	Government Consulting		66,000
	Equipment Eligible for Federal Grant		21,034
	Intergovernmental Agreement - City of Bettendorf Operating Expenses		50,710
	Shelter Repairs and Maintenance		6,469
	Total Ineligible Operating Expenses		200,357
	Total Eligible Operating Expenses	$	18,487,658

ROCK ISLAND COUNTY METROPOLITAN MASS TRANSIT DISTRICT
Schedule of Revenues and Expenses
Under Downstate Operating Assistance Grant OP-16-03-IL
For the State Fiscal Year Ended June 30, 2016

Total Eligible Operating Expenses	$	18,487,658
Total Operating Revenues		3,283,271
Deficit	$	15,204,387
Sixty-Five Percent of Eligible Expense	$	12,016,978
Maximum Contract Amount	$	20,955,700
Eligible Downstate Operating Assistance (Deficit or Sixty-Five Percent of Eligible Expense or Maximum Contract Amount, Whichever is Less)	$	12,016,978
State Fiscal Year 2016 Downstate Operating Assistance Received (Prior to the Close of the District's Fiscal Year 2016)		10,996,308
State Fiscal Year 2016 Downstate Operating Assistance Under (Over) Paid	$	1,020,670

The Schedule of Revenues and Expenses Under Downstate Operating Assistance Grant is prepared based on the grant period July 1, 2015 through June 30, 2016. This activity is included in the District's fiscal years 2015 and 2016 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, 2016

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-16-03-IL
For the Year Ended November 30, 2016

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, 2016

Federal Grantor/Pass-Through Grantor/ Program Title	CFDA Number		Grant Number	Federal Awards Expended		Total Provided to Sub-recipients
U.S. Department of Transportation -						
Direct Awards:						
Federal Transit Formula Grants	20.507	*	IL-90-0688	$ 244,813		$ -
Federal Transit Formula Grants	20.507	*	IL-90-0697	239,412		-
Federal Transit Formula Grants	20.507	*	IL-90-0714	30,880		-
Federal Transit Formula Grants	20.507	*	IL-90-0732	244,796		-
Federal Transit Formula Grants	20.507	*	IL-90-0745	85,229		-
Federal Transit Formula Grants	20.507	*	IL-90-0746	107,372		-
Federal Transit Formula Grants	20.507	*	IL-90-0747	664,912		-
Federal Transit Formula Grants	20.507	*	IL-90-0748	720,855		-
Federal Transit Formula Grants	20.507	*	IL-90-2697	21,842		-
Federal Transit Formula Grants	20.507	*	IL-2016-012	1,686,723		-
Federal Transit Formula Grants	20.507	*	IL-2017-XXX	394,791	**	-
Bus and Bus Facilities Formula Program	20.526	*	ML-2016-01	947,449		-
Total Federal Transit Cluster				5,389,074		-
National Infrastructure Investment	20.933		IL-79-0001	1,316,161		-
Total Federal Expenditures				$ 6,705,235		$ -

* - Denotes a major program

** - Federal funds have been appropriated for this program, however, the grant application and final execution was pending at November 30, 2016.

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, 2016.

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, 2016.

ROCK ISLAND COUNTY METROPOLITAN MASS TRANSIT DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended November 30, 2016

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 programs.

(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:

- Federal Transit Cluster
  - CFDA #20.507 and #20.526

(*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 not 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, 2016

No findings noted in the prior year.

MARTIN HOOD FRIESE & ASSOCIATES, LLC

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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, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 7, 2017.

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, Friese & Associates, LLC

Champaign, Illinois
March 7, 2017

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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 program for the year ended November 30, 2016. The District's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs (Schedule 15).

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended November 30, 2016.

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, Friese & Associates, LLC

Champaign, Illinois
March 7, 2017