

# **SPRINGFIELD MASS TRANSIT DISTRICT**

Springfield, Illinois

## **FINANCIAL STATEMENTS**

Including Independent Auditors' Report

As of and for the Years Ended June 30, 2015 and 2014

# SPRINGFIELD MASS TRANSIT DISTRICT

Springfield, Illinois

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# SPRINGFIELD MASS TRANSIT DISTRICT

Springfield, Illinois

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**INDEPENDENT AUDITORS' REPORT**

To the Board of Trustees  
Springfield Mass Transit District  
Springfield, Illinois

***Report on the Financial Statements***

We have audited the accompanying financial statements of Springfield Mass Transit District, as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Springfield Mass Transit 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.

***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' 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 over financial reporting relevant to the Springfield Mass Transit District'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 Springfield Mass Transit District'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.

To the Board of Trustees  
Springfield Mass Transit District

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Springfield Mass Transit District as of June 30, 2015 and 2014, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matters***

As discussed in Note 1, Springfield Mass Transit District adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, effective July 1, 2014. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis; Defined Benefit Pension Plan – Schedule of Changes in the Net Pension Liability and Related Ratios and Notes to Schedule; Defined Benefit Pension Plan – Schedule of Employer Contributions and Notes to Schedule; Defined Benefit Pension Plan, Pre-GASB 68 – Schedule of Funding Progress and Schedule of Employer Contributions; and Other Post-Employment Benefit Plan – Schedule of Funding Progress and Schedule of Employer Contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules of Fixed Route Operating Expenses Before Depreciation, Paratransit Operating Expenses Before Depreciation, UIS Operating Expenses Before Depreciation, Route 19 Operating Expenses Before Depreciation, Computation of Federal Operating Assistance, and Schedule of Expenditures of Federal Awards as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit 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 supplemental schedules of Fixed Route Operating Expenses Before Depreciation, Paratransit Operating Expenses Before Depreciation, UIS Operating Expenses Before Depreciation, Route 19 Operating Expenses Before Depreciation, Computation of Federal Operating Assistance, and Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

To the Board of Trustees  
Springfield Mass Transit District

***Other Reporting Required by Government Auditing Standards***

In accordance with Government Auditing Standards, we have issued our report dated November 20, 2015 on our consideration of the Springfield Mass Transit 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 the 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 Springfield Mass Transit District's internal control over financial reporting and compliance.

*Baker Tilly Virchow Krause, LLP*

Madison, Wisconsin  
November 20, 2015

**SPRINGFIELD MASS TRANSIT DISTRICT**  
**MANAGEMENT DISCUSSION AND ANALYSIS**

**Year Ending June 30, 2015**

**About Springfield Mass Transit District (SMTD) and ACCESS SPRINGFIELD**

The Springfield Mass Transit District (SMTD) provides fixed-route bus transportation throughout the greater Springfield area Monday through Saturday. Service begins around 6:00 a.m. (varies by route). Buses pulse at the Downtown center to allow timely transfers between routes. Daytime service is provided on 17 routes Monday through Saturday. Buses run every 30 minutes during peak hours on most routes. Most buses leave the transfer center at 15 minutes before and 15 minutes after each hour. Buses are wheelchair lift equipped. Five routes operate in night service Monday through Friday, with the first bus leaving the transfer center at 6:45 p.m. and the last bus leaving at 11:45 p.m. Route 19, which was funded through a Job Access Reverse Commute (JARC) grant, was discontinued on July 1, 2015, due to depleted funds.

SMTD also operates a Paratransit service for persons with disabilities, who are unable to use fixed-route buses, through the ACCESS SPRINGFIELD system. Individuals with disabilities must complete an application to determine their eligibility for the service, per the Americans with Disabilities Act guidelines. Applications may be obtained by calling (217) 522-6087 or can be submitted electronically through the SMTD website at [www.smtd.org](http://www.smtd.org). The days and hours of service are the same as those for the fixed-route service.

A seven member Board of Trustees is appointed by the Sangamon County Board of Supervisors to oversee the policies and operations of the District. The Trustees are appointed to serve staggered 5-year terms. The Board of Trustees are as follows:

Brian Brewer, Chairperson; Susan Davsko, Vice-Chairperson; Leslie McCarthy, Secretary; Karen Hasara, Treasurer; Jerry Doss, Trustee; Sandra Douglas, Trustee; Wynne Coplea, Trustee

**About the Financial Statements of Springfield Mass Transit District:**

The financial statements of the Springfield Mass Transit District (the "District") are presented on a proprietary fund basis. Accounting principles used are similar to principles applicable in the private sector. The District's annual report consists of the Statements of Net Position on page 16 the Statements of Revenue, Expenses and Changes in Net Position on page 17, and the Statements of Cash Flows on pages 18 - 19. 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.

**The Statements of Net Position:**

The Statements of Net Position presents assets, liabilities, and deferred outflows 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 and deferred outflows and liabilities as reflected on the Statements 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**  
**(In Thousands)**

	<u>FY15</u>	<u>FY14</u>	<u>FY13</u>
Current and other assets	\$ 10,028	\$ 8,442	\$ 9,454
Non-Current assets	1,275	5,088	2,798
Capital assets	<u>22,831</u>	<u>22,403</u>	<u>17,518</u>
Total assets	<u>34,134</u>	<u>35,933</u>	<u>29,770</u>
Pension deferred outflows	<u>1,754</u>	<u>-</u>	<u>-</u>
Current and other liabilities	2,548	1,847	1,752
Noncurrent liabilities	<u>622</u>	<u>2,792</u>	<u>2,095</u>
Total liabilities	<u>3,170</u>	<u>4,639</u>	<u>3,847</u>
Net Position			
Net investment in capital assets	22,831	22,403	17,518
Restricted for pensions	1,715	-	-
Unrestricted	<u>8,172</u>	<u>8,891</u>	<u>8,405</u>
Total Net Position	<u>\$ 32,718</u>	<u>\$ 31,294</u>	<u>\$ 25,923</u>

**For the year ending June 30, 2015:**

- Unrestricted Net Position used to finance the District operations decreased by 8.09% (\$8,172 in FY15 compared to \$8,891 in FY14). The reduction of \$719 thousand is from restricted funds for pension (\$1,715 thousand), net of an increase in the operating budget (\$175 thousand), and an increase for a change in Accounting Principle (\$821 thousand).
- The District's Net Position increased by 4.55% (\$32,718 in FY15 compared to \$31,294 in FY14). The increase in Net Position is from an increase in the operating budget (excess operating revenue over operating expense in the amount of \$175 thousand and an increase in the capital budget (excess capital revenue over depreciation expense) in the amount of \$428 thousand, and an increase from the cumulative effect of a change in accounting principle (\$821 thousand).

**For the year ending June 30, 2014:**

- The District's Net Position increased by 20.72% (\$31,294 compared to \$25,923).
- Unrestricted Net Position used to finance the District operations increased by 5.78% (\$8,891 compared to \$8,405).
- The increase of \$5,371 thousand in total net position is illustrated in the Changes in Net Position schedule below (Table 2).



**Table 2**  
**Changes in Net Position**  
**(In Thousands)**

	<u>FY15</u>	<u>FY14</u>	<u>FY13</u>
Operating revenues			
Fares	\$ 1,298	\$ 1,237	\$ 1,137
Advertising revenue	106	135	89
Total operating revenue	1,404	1,372	1,226
Total operating expenses before depreciation	14,217	13,558	13,005
Depreciation	1,825	1,615	1,312
Loss from operations	<u>(14,638)</u>	<u>(13,801)</u>	<u>(13,091)</u>
Non-operating revenues (expenses)			
Local taxes	2,569	2,605	2,451
State/Fed operating assistance	10,422	10,170	9,591
Investment income	40	33	25
Other income (expense)	(110)	15	4
CNG Fuel Rebate	25	-	26
Total non-operating revenues	12,946	12,823	12,097
Capital contributions	<u>2,295</u>	<u>6,349</u>	<u>2,162</u>
Increase (decrease) in Net Position	<u>603</u>	<u>5,371</u>	<u>1,168</u>
Beginning Net Position	<u>31,294</u>	<u>25,923</u>	<u>24,755</u>
Cumulative effect of change in Accounting principle	<u>821</u>	<u>-</u>	<u>-</u>
Ending Net Position	<u>\$ 32,718</u>	<u>\$ 31,294</u>	<u>\$ 25,923</u>

**For the year ending June 30, 2015:**

- The District's operating revenue increased by 2.33% (\$32 thousand) from \$1,372 thousand in FY14 to \$1,404 thousand in FY15, attributable to a 4.4 % increase in fixed line ridership and 17.1% increase in paratransit ridership compared to FY14.
- Advertising revenue decreased by 21.48% (\$29 thousand) from \$135 thousand in FY14 to \$106 thousand in FY15, but is still 15% up over previous years.
- Local taxes decreased by 1.38% (\$36 thousand) from \$2,605 thousand in FY14 to \$2,569 thousand in FY15. The decrease is attributable to an unexpected TIF return of \$89 thousand in FY14. The property tax levy did increase by 1.5% during FY15 partially offsetting the decrease from the TIF district return in FY14. The tax receipts automatically grow based on the CPI from the previous year. Replacement tax increased by 7.59% (\$11 thousand) from \$145 thousand in FY14 to \$156 thousand in FY15.
- State and Federal operating assistance increased by 2.5%, (\$252 thousand) from \$10,170 thousand in FY14 to \$10,422 thousand in FY15. State operating assistance is tied directly to an increase in operating expenses. The formula for downstate operating

expenses is 65% of eligible operating expense subject to the maximum annual appropriation and limited further by a comparison to the eligible deficit. State Operating assistance went up due to an increase in eligible operating expense. There was also a federal capital budget revision to move unused capital funds to federal capital assistance.

- Capital grant revenue decreased by 63.85% (\$4,054 thousand) from \$6,349 thousand in FY14 to \$2,295 in FY15. FY14 included the purchase of 14 new buses and land acquisitions. FY15 included Federal capital revenue for a new CNG station, service truck, ADA concrete pads/shelters and a bus vacuum.
- The average interest rate earned on District funds invested in the Illinois Funds Investment Pool for FY15 remained the same as in FY14 (.017%).
- Investment income increased by 21.21% (\$7 thousand) from \$33 thousand in FY14 to \$40 thousand in FY15. The increase is attributable to the investment in rising rate CD's and bonds.
- Total operating expenses increased by 4.86% (\$659 thousand) from \$13,558 thousand in FY14 to \$14,217 thousand in FY15.
- Labor and fringe benefits increased by 6.72% (\$663 thousand) from \$9,870 thousand in FY14 to \$10,533 thousand in FY15.
  - Salaries and wages paid, including vacation, sick, and holiday, increased by 4.06% (\$274 thousand) from \$6,755 thousand in FY14 to \$7,029 thousand in FY15.
  - Fringe benefits increased by 11.34% (\$350 thousand) from \$3,086 thousand in FY14 to \$3,436 thousand in FY15.
    - The IMRF employer rate decreased 13.7% (10.23% in FY14 to 8.83% in FY15)
    - Workers compensation claims increased by 350.00% from \$1 thousand in FY14 to \$351 thousand in FY15.
      - There was a large reduction in reserves during FY14.
      - There was a large increase in reserves, for FY15, due to many high-dollar, recurring and re-opened claims.
      - As of June 30, 2015, there were 20 open workers compensation claims, with ending reserves at \$438 thousand.
      - Subrogation collections decreased by 90.91% (\$10 thousand) from \$11 thousand in FY14 to \$1 thousand in FY15.
      - Medical payments increased 286.67% (\$43 thousand) from \$15 thousand in FY14 to \$58 thousand in FY15.
- Service expenses increased by 25.95% (\$185 thousand) from \$713 thousand in FY14 to \$898 thousand in FY15.
  - Legal fees increased by 106.30% (\$100 thousand) from \$94.1 thousand in FY14 to \$194.1 thousand in FY15. The increase is due to prolonged negotiations to settle the ATU contract.
  - Claims service fees increased by 66.83% (\$39.9 thousand) from \$59.7 thousand in FY14 to \$99.6 thousand in FY15, directly related to an increase in workers compensation claims and liability claims.
  - Other services increased by 146.45% (\$70.1 thousand) from \$150.9 thousand in FY14 to \$221.0 thousand in FY15. Almost \$151.2 thousand was expended during FY15 for survey work to locate sites for the installation of ADA bus pads.

- Bus parts and supplies decreased by 19.21% (\$428 thousand) from \$2,239 in FY14 to \$1,811 in FY15.
  - Bus parts decrease by 20.3% (\$165.4 thousand) from \$813.8 thousand in FY14 to \$648.4 thousand in FY15.
  - Fuel decreased by 24.3% (\$202.4 thousand) from \$831.8 thousand in FY14 to \$629.4 thousand in FY15.
- Insurance and Liability claims increased by 56.2% (\$195 thousand) from \$347 thousand in FY14 to \$542 thousand in FY15, due to a high volume of liability claims and an expected increase in insurance rates.
  - Liability Claims increased by 463.89% (\$167 thousand) from \$36 thousand in FY14 to \$203 thousand in FY15.
  - As of June 30, 2015, there were 16 open liability claims with ending reserves at \$139 thousand.
- Taxes, leases, and miscellaneous expense combined increased by 18.49% (\$27 thousand) from \$146 thousand in FY14 to \$173 thousand in FY15, due to non-exempt property taxes on land purchased (\$12 thousand), SMART (\$39 thousand), employee expenses (\$12 thousand) and miscellaneous/license/registration fees (\$3 thousand).

**For the year ending June 30, 2014:**

- The District's operating revenue increased by 11.9% (\$146 thousand) from \$1,226 thousand in FY13 to \$1,372 thousand in FY14. This is attributed to an increase in ridership, an increase in federal appropriations for FY14 and an increase in Downstate Operating Assistance revenue.
- Advertising revenue increased by 51.7% (\$46 thousand) from \$89 thousand in FY13 to \$135 thousand in FY14 attributable, in part, to involvement in Business Connections – a local networking event. A representative from Houck Advertising, our ad agency in Wisconsin, attended the event with us. He was able to connect directly with local Springfield business owners who have become advertisers.
- Local taxes increased by 6.3% (\$154 thousand) from \$2,451 thousand in FY13 to \$2,605 thousand in FY14. The increase is due, in part, to the City of Springfield Downtown TIF return. The return was for unexpended funds.
- Replacement tax increased by .69% (\$1 thousand) from \$144 thousand in FY13 to \$145 thousand in FY14.
- Capital grant revenue increased by 193.66% (\$4,187 thousand) from \$2,162 thousand in FY13 to \$6,349 in FY14 attributable to the purchase of 14 new buses and land acquisition expenses related to the Transfer Center.
- The average interest rate earned on District funds invested in the Illinois Funds Investment Pool decreased by 7.7% (.075% in FY13 compared to .017% in FY14).
- Investment income increased by 32% (\$8 thousand) attributable to the purchase of rising rate CD's and bonds.
- Operation and Maintenance expenses increased by 4.25% (\$553 thousand) from \$13,005 thousand in FY13 to \$13,558 thousand in FY14.
- Labor and fringe benefits increased by 1.88% (\$181 thousand) from \$9,613 thousand in FY13 to \$9,794 thousand in FY14.
  - Salaries and wages paid, including vacation, sick, and holiday, increased by 4.21% (\$267 thousand) from \$6,338 thousand in FY13 to \$6,605 thousand in

- FY14.
  - Other fringe benefits decreased by 4.86% (\$154 thousand) from \$3,169 thousand in FY13 to \$3,015 thousand in FY14.
  - Workers compensation claims increased by 8.44% (\$27 thousand) from \$320 thousand in FY13 to \$347 thousand in FY14.
- Service expenses decreased by .06% (\$46 thousand) from \$759 thousand in FY13 to \$713 thousand in FY14.
- Bus parts and supplies increased by 11.01% (\$222 thousand) from \$2,017 in FY13 to \$2,239 in FY14.
- Utilities decreased by .41% (\$1 thousand) from \$244 thousand in FY13 to \$243 in FY14.
- Insurance and Liability claims increased by 49.57% (\$115 thousand) from \$232 thousand in FY13 to \$347 thousand in FY14 attributable to a payout for three worker's compensation claims and a liability claim.
  - Liability Claims decreased by 52.17% (\$33 thousand) from \$69 thousand in FY13 to \$36 thousand in FY14. The net gain was a result of subrogation collections and reduced reserves being greater than the amount of reserves and payments for new claims.
- Taxes, leases, and miscellaneous expense combined increased by 3.57% (\$45 thousand) from \$140 thousand in FY13 to \$145 in FY14 attributable to purchased service expenses for SMART.

**Table 3**  
**Annual Budget and Appropriations Ordinance**  
**(In Thousands)**

	<u>Budget</u>	<u>Actual</u>
Passenger revenue	\$ 1,315	\$ 1,298
Advertising revenue	135	106
Rental Income	6	5
Investment income	32	40
Other income	-	2
Tax levy income	2,439	2,412
Replacement tax revenue	155	156
State operating assistance	9,691	9,089
Federal operating assistance	<u>1,467</u>	<u>1,333</u>
Total revenue	<u>\$ 15,240</u>	<u>\$ 14,441</u>
Salaries, labor, and benefits	\$ 10,405	\$ 10,533
Services	913	898
Material and supplies	2,284	1,811
Utilities	262	260
Casualty and liability insurance and losses	413	542
Taxes and license	1	14
Leases	10	7
Miscellaneous	<u>779</u>	<u>152</u>
Total operating expenses before depreciation	<u>\$ 15,067</u>	<u>\$ 14,217</u>

**Budgetary Highlights (Table 3)**

- The District’s actual resources available for appropriations for the year were \$799 thousand below the budget, \$14,441 actual compared to \$15,240 budgeted.
  - Advertising revenue was \$29 thousand under budget
  - The State operating assistance was \$602 thousand under budget
  - The Federal operating assistance was \$134 thousand under budget
- Materials and supplies were \$473 thousand below budget, partially due to newer buses that are under warranty. Actual expenditure for fuel was another factor. The average cost per gallon for diesel fuel decreased by 25.49% compared to last fiscal year (\$2.34 per gallon in FY15 compared to \$3.14 per gallon in FY14). The budget was based on FY14 actual with a projected increase in the average cost per gallon.
- Casualty and liability insurance and losses were over budget by \$129 thousand.
- Miscellaneous expenses were under budget by \$627 thousand due to delays in the start-up of the SMART service, which is intended to provide service outside the District’s boundaries but within the urbanized area.

**Table 4**  
**Capital Assets at Year-end**  
**(In Thousands)**

	<u>FY15</u>	<u>FY14</u>	<u>FY13</u>
Land	\$ 1,114	\$ 1,114	\$ 1,114
Parking lot	114	114	114
Passenger shelters	164	164	158
Administration building	1,354	1,344	1,344
Buses and Paratransit vans	21,197	22,472	17,987
Cars and trucks	234	186	141
Storage garage	2,001	2,001	2,001
Maintenance shop and office	7,749	7,749	7,738
Garage equipment	1,036	874	762
Office furniture and fixtures	150	150	150
Two-way radio equipment	19	19	19
Other assets & construction work in progress	1,761	1,666	974
Non-transit rental property	105	105	105
Telephone system	42	42	42
Stockroom and machine shop	176	176	176
CNG fueling station	<u>1,744</u>	<u>519</u>	<u>519</u>
Total	38,960	38,695	33,344
Less accumulated depreciation	<u>(16,129)</u>	<u>(16,293)</u>	<u>(15,826)</u>
Capital assets – net	<u>\$ 22,831</u>	<u>\$ 22,402</u>	<u>\$ 17,518</u>

**A comparative analysis of the changes in the District's capital assets for the year ending June 30, 2015 is presented in Table #4.**

- A lobby enclosure was installed in the Administration building – valued at \$10 thousand.
- Six Paratransit vans were added to the Paratransit fleet – valued at \$321 thousand.
- Eight mainline buses were disposed – valued at \$1,135 thousand.
- Four hybrid Paratransit vehicles were disposed – valued at \$462 thousand.
- A service truck was added to the car/truck fleet – valued at \$48 thousand.
- Additions to the Garage Equipment include:
  - Remote start unit - valued at \$5 thousand.
  - Bus vacuum system – valued at \$157 thousand through 6/30/15; additional value will be added in FY16 when the project is complete.
- Other assets & construction work in progress include:
  - An off-site, computer system backup component was established at Microchip Computer Solutions – valued at \$18 thousand.
  - A stand-alone building was purchased to house the security guards – valued at \$9 thousand.
  - Obsolete bus destination signs were disposed – valued at \$30 thousand.
  - Additional Work in progress for the year included ADA compliant concrete pads/shelters valued at \$192 thousand; Offsite transfer center work at \$8 thousand; CNG station valued at \$1,642 thousand; and a bus vacuum valued at \$157 thousand. Completed projects that were moved out of work in progress were the CNG station valued at \$1,744 thousand and the bus vacuum valued at \$157 thousand.
- A new CNG fueling station was completed and set up under CNG station – valued at \$1,744 thousand through 6/30/15.
- The old CNG fueling station was disposed – valued at \$519 thousand.

**A comparative analysis of the changes in the District's capital assets for the year ending June 30, 2014 is presented in Table #4.**

- Land and associated appraisal/title expenses were incurred due to the purchase of 911-917 East Adams Street for the Transfer Center project; valued at \$519 thousand.
- Computer software/equipment was added - valued at \$26 thousand. This includes 40 Microsoft Office Pro Plus Licenses, a server hard drive and a backup drive.
- Garage equipment was added – valued at \$112 thousand. This includes a lathe, tire balancer coats, floor sweep/scrubber, forklift and an A/C unit.
- Other assets purchased include a sprinkler system – valued at \$9 thousand.
- The Maintenance facility added an office for the Maintenance Assistant – the conversion and renovation is valued at \$11 thousand.
- A service truck was added to the car/truck fleet – valued at \$46 thousand.
- 14 mainline buses were added to the bus fleet – valued at \$5,647 thousand.
- A concrete pad was added at LeJune Drive – valued at \$6 thousand.
- Ten mainline buses, valued at \$1,162 thousand, were disposed of.

**Table 5**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Fund**  
**(In Thousands)**

	<b>OPEB Trust Fund</b>
<b>Additions</b>	
Employer contributions	\$3,092
<b>Deductions</b>	
Benefits	300
Net Investment Loss	<u>11</u>
Total Deductions	311
<b>CHANGE IN NET POSITION</b>	<b>\$2,781</b>
<b>Net Position – Beginning of Year</b>	<u>          -</u>
<b>Net Position – End of Year</b>	<b><u>\$2,781</u></b>

**A comparative analysis of the changes in the District’s Fiduciary OPEB Trust Fund for the year ending June 30, 2015 is presented in Table #5.**

- During FY15, the District established a segregated Other Post Employment Benefit Plan (OPEB) Trust for retiree health insurance. Designated investments from FY14 in the amount of \$2,792 were transferred to the OPEB trust fund and are included in the employer contribution section of Table 5. Employer contributions also include \$300 in payments that were made for retiree health premiums during the year. Deductions include premiums paid for retiree health insurance during the year in the amount of \$300 thousand and an investment loss in the amount of \$11 thousand. The Statement of Net Position for Fiduciary Funds is included within the Financial Statement Section of the annual audit report.

**Economic Trends:**

**For the year ending June 30, 2015:**

- The average cost per gallon for diesel fuel decreased by 25.49% compared to last fiscal year (\$2.34 per gallon in FY15 compared to \$3.14 per gallon in FY14). The highest cost per gallon during FY15 was \$3.07 in July 2014. (source: Fleet-Net)
- The average cost per gallon for U.S. Regular Conventional Gasoline decreased by 20.53% compared to last fiscal year (\$2.71 per gallon in FY15 compared to \$3.41 per gallon in FY14). The highest cost per gallon during FY15 was \$3.50 in July 2014 (source: eia.gov).



- The average cost per therm for CNG fuel decreased by 4.35% compared to last year (\$.66 per therm in FY15 compared to \$.69 per therm in FY14). The highest cost per therm during FY15 was \$.78 in July 2014 (source: Ameren Illinois).
- Ridership for the fixed-line service increased by 4.38% compared to last year.
- Ridership for the demand response service increased by 7.22% compared to last year.
- During FY15, calculations were prepared by Gabriel Roeder Smith & Company for the implementation of Governmental Accounting Standards Boards (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions." The implementation of GASB 68 resulted in an increase in net position in the amount of \$821 thousand for the cumulative effect of change in accounting principle. Deferred pension outflows in the amount of \$1,754 thousand were recorded in the Statement of Net Position. Net position includes \$1,715 thousand restricted for pensions. The Total Pension Liability at December 31, 2014 was \$28,902 thousand and Plan Fiduciary Net Position was \$28,863 thousand. The net pension liability was \$39 thousand. The Plan fiduciary net position as a percentage of total pension liability was 99.86%.
- During FY15, the District established a segregated Other Post Employment Benefit Plan (OPEB) Trust for Retiree health insurance. A full actuarial valuation will be completed for fiscal year 2016 with a valuation date of 6/30/15. The actuarial accrued liability at 6/30/15 was \$10,518 thousand. The plan assets at 6/30/15 that were segregated in an OPEB trust fund were \$2,781 thousand. The unfunded actuarial liability for retiree health benefits decreased by 26.4%, (\$10,518 thousand in FY14 compared to \$7,738 thousand in FY15). The annual required contribution did not change from FY14, (\$907 thousand). The unfunded liability is amortized over 20 years and is included in the annual required contribution. The actuarial liability has been presented in the notes to the financial statement and within the other required supplementary information section of the annual audit. The annual required contribution has been included in the District's operating expenses and will continue to be included in the operating expenses in the future. The actuarial liability and the annual required contribution are impacted by changes to the District's retiree health insurance plan and by changes in the group health insurance premiums.
- The District entered into a contract with Senior Services of Central Illinois to provide service outside of the District's boundary but within the urbanized area to provide a link to service within the District's boundaries and to rural areas within Sangamon County. The SMART service has been postponed due to the ongoing delays in resolving the state budget impasse.
- The District was also awarded a competitive Federal "Ladders of Opportunity" grant for federal funding for buses to expand service to connect people with jobs at the UIS campus. This continues to be on hold due to the ongoing budgetary issues in the state.
- The District receives Downstate Operating Assistance from the State of Illinois. The operating assistance is allocated based on state statutes. The formula for the downstate operating assistance is 65% of eligible operating expense up to the maximum deficit of eligible operating expenses less eligible operating revenues, and limited to the approved appropriation. Included in the statute is a provision that appropriations increase 10% each year. Based on discussions during past years regarding the sustainability of the Downstate Operating Assistance Fund, a change to legislation was proposed by downstate transit agencies through the Illinois Public Transit Association. The purpose



of the proposed change was to right size the growth in downstate transit appropriations to match corresponding growth in sales tax receipts in the previous year. Unfortunately, this proposal has been overshadowed by the ongoing budget shortfall and budget impasse and has prompted discussion regarding more drastic changes to the Downstate Operating Assistance Fund in FY16 and future years, beyond the change proposed during FY15. The state requested two applications for FY16, one at the current 65% level of reimbursement of eligible operating expense and one at 55% reimbursement of eligible operating expense. This has prompted contingency planning including reduced service and potential fare increases.

**For the year ending June 30, 2014:**

- The average cost per gallon for diesel fuel decreased by 1.26% compared to last year fiscal year (\$3.92 per gallon in FY14 compared to \$3.97 per gallon in FY13). The highest cost per gallon during FY14 was \$4.00 in March 2013 (source: eia.gov).
- The average cost per gallon for U.S. Regular Conventional Gasoline decreased by 3.13% compared to last fiscal year (\$3.41 per gallon in FY14 compared to \$3.52 in FY13). The highest cost per gallon during FY14 was \$3.63 in June 2014 (source: eia.gov).
- The average cost per therm for CNG fuel increased by 11.29% compared to last year (\$.69 per therm in FY14 compared to \$.62 per therm in FY13). The highest cost per therm during FY14 was \$.76 in May 2014 (source: Ameren Illinois).
- Local property tax increased by 6.63% (\$2,460 thousand in FY14 compared to \$2,307 thousand in FY13) as a result of the change in the CPI.
- Ridership for the fixed-line service increased by 1.5% compared to last year.
- Ridership for the demand response service decreased by 10% compared to last year.
- During FY14, the District's unfunded actuarial liability for the Illinois Municipal Retirement Fund decreased by \$1,570 thousand (\$2,497 thousand to \$927 thousand). The District's employer contribution for IMRF decreased by 9.47%, (11.30% in FY13 compared to 10.23% in FY14).
- The Governmental Accounting Standard Board approved and issued Statement 67 and Statement 68 which will require state and local governments to disclose the net unfunded pension liabilities on the balance sheet. This will require expense recognition of employees retiree benefits as they earn them rather than when the contributions are made to the pension plan or when the retirees receive the benefits.
- The unfunded actuarial liability for retiree health benefits increased by 21.61%, (\$8,649 thousand in FY13 compared to \$10,518 thousand in FY14). The Board approved a recommendation to amortize the unfunded liability over 20 years rather than 30 years in FY13. This increased the annual required contribution by 21.42% (\$907 thousand compared to \$747 thousand). The actuarial liability has been presented in the notes to the financial statement and within the other required supplementary information section of the annual audit. The annual required contribution has been included in the District's operating expenses and will continue to be included in the operating expenses in the future. The actuarial liability and the annual required contribution are impacted by changes to the District's retiree health insurance plan and by changes in the group health insurance premiums.

## **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 Frank Squires, Managing Director or Diane K. Townsend, Director Finance & Administration, Springfield Mass Transit District, 928 S. Ninth Street, Springfield, IL 62704.

You may contact the SMTD for fixed-route information by calling (217) 522-5531 and may reach ACCESS SPRINGFIELD by calling (217) 522-8594. Route and schedule information, bus pass and fare information, announcements, employment information, bid information, and information on how to advertise on buses is available at [www.SMTD.org](http://www.SMTD.org).

## SPRINGFIELD MASS TRANSIT DISTRICT

### STATEMENTS OF NET POSITION PROPRIETARY FUND As of June 30, 2015 and 2014

<b>ASSETS</b>		
	2015	2014
<b>CURRENT ASSETS</b>		
Cash and investments	\$ 6,315,886	\$ 5,807,592
Accounts Receivable		
Taxes - net	1,265,275	1,255,564
Operating assistance grants - net	953,197	198,111
Capital assistance grants	363,666	77,385
Other	104,531	212,180
Materials and supplies inventories	893,259	871,223
Prepaid expenses	132,238	19,955
Total Current Assets	10,028,052	8,442,010
<b>NONCURRENT ASSETS</b>		
Designated investments - OPEB	-	2,791,655
Investments	1,274,975	1,296,419
Pension prepaid contribution	-	1,000,000
Capital Assets		
Capital assets, not being depreciated	2,091,856	1,993,980
Property and equipment	36,868,016	36,701,509
Accumulated depreciation	(16,128,816)	(16,292,750)
Total Noncurrent Assets	24,106,031	27,490,813
Total Assets	34,134,083	35,932,823
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension deferred outflows	1,754,004	-
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	1,599,288	883,548
Accrued payroll	306,605	309,943
Accrued payroll taxes and retirement	160,339	178,670
Accrued compensated absences	478,672	473,402
Other current liabilities	2,853	1,393
Total Current Liabilities	2,547,757	1,846,956
<b>NONCURRENT LIABILITIES</b>		
Net OPEB obligations	583,189	2,791,655
Net pension liability	39,140	-
Total Noncurrent Liabilities	622,329	2,791,655
Total Liabilities	3,170,086	4,638,611
<b>NET POSITION</b>		
Net investment in capital assets	22,831,056	22,402,739
Restricted for pensions	1,714,864	-
Unrestricted	8,172,081	8,891,473
<b>TOTAL NET POSITION</b>	<b>\$ 32,718,001</b>	<b>\$ 31,294,212</b>

See accompanying notes to financial statements.

## SPRINGFIELD MASS TRANSIT DISTRICT

### STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION PROPRIETARY FUND

For the Years Ended June 30, 2015 and 2014

	2015	2014
<b>OPERATING REVENUES</b>		
Full adult fares	\$ 1,191,489	\$ 1,141,042
Senior citizen, student, and handicapped fees	21,549	21,677
Local student fare assistance	85,441	74,840
Advertising revenue	105,867	134,679
Total Operating Revenues	1,404,346	1,372,238
<b>OPERATION AND MAINTENANCE EXPENSES</b>	14,216,566	13,557,589
Operating Loss Before Depreciation	(12,812,220)	(12,185,351)
<b>DEPRECIATION</b>	1,825,473	1,615,165
Loss From Operations	(14,637,693)	(13,800,516)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Local taxes	2,568,549	2,605,346
Grants		
State of Illinois - Downstate Public Transportation Assistance Program		
Operating assistance	9,089,053	8,613,382
Federal Transit Administration		
Operating assistance	1,140,102	1,301,188
UIS and Route 19 service operating assistance	167,010	201,497
Capital assistance for operating items	25,944	53,686
Investment income	40,346	32,805
Interest on property taxes	31	37
Other income	6,596	324
Net gain/(loss) on disposal of capital assets	(117,296)	14,940
CNG fuel rebate net of state assistance adjustment	25,213	-
Total Nonoperating Revenues	12,945,548	12,823,205
Net Income Before Contributions	(1,692,145)	(977,311)
<b>CAPITAL CONTRIBUTIONS - FEDERAL</b>	2,148,178	6,348,690
<b>CAPITAL CONTRIBUTIONS - STATE</b>	147,032	-
<b>CHANGE IN NET POSITION</b>	603,065	5,371,379
NET POSITION - Beginning of Year	31,294,212	25,922,833
Cumulative effect of change in accounting principle	820,724	-
<b>NET POSITION - END OF YEAR</b>	\$ 32,718,001	\$ 31,294,212

See accompanying notes to financial statements.

## SPRINGFIELD MASS TRANSIT DISTRICT

### STATEMENTS OF CASH FLOWS PROPRIETARY FUND For the Years Ended June 30, 2015 and 2014

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received for transit fares	\$ 1,288,212	\$ 1,150,607
Cash received from sales of charters, advertising and rental income	112,463	135,003
Establishment of OPEB Trust	(2,791,655)	-
Wages and benefits paid to employees	(10,816,250)	(9,586,302)
Payments to suppliers for goods and services	(2,447,476)	(3,596,936)
Net Cash Flows From Operating Activities	(14,654,706)	(11,897,628)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Operating Subsidies Received From		
State of Illinois	9,412,037	8,617,518
Federal Transit Administration	229,042	2,644,840
Property and income taxes received	2,558,838	2,572,473
Alternative fuel credit received	143,129	149,635
Net Cash Flows From Noncapital Financing Activities	12,343,046	13,984,466
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital Grants Received From		
Federal Transit Administration	1,713,649	6,678,412
Purchase and construction of capital assets	(1,760,793)	(6,442,875)
Proceeds from sale of capital assets	13,622	28,941
Net Cash Flows From Capital and Related Financing Activities	(33,522)	264,478
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investments purchased	(484,699)	(1,544,766)
Investments sold	2,305,586	1,169,485
Interest on investment pool	40,346	32,805
Interest on property taxes	31	37
Net Cash Flows From Investing Activities	1,861,264	(342,439)
<b>Net Change in Cash and Cash Equivalents</b>	(483,918)	2,008,877
CASH AND CASH EQUIVALENTS – Beginning of Year	6,772,709	4,763,832
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 6,288,791	\$ 6,772,709
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Salvage on CNG Fuel Station	\$ 25,000	\$ -
Loss on disposal of paratransit vans	\$ (155,918)	\$ -
Paratransit vans received from the state of Illinois	\$ 321,224	\$ -

See accompanying notes to financial statements

	<u>2015</u>	<u>2014</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH</b>		
<b>FLOWS FROM OPERATING ACTIVITIES</b>		
Operating loss	\$ (14,637,693)	\$ (13,800,516)
Nonoperating revenue		
Rental income	6,596	324
State assistance adjustment on alternative fuel credit	(46,824)	-
Noncash items included in operating loss		
Depreciation expense	1,825,473	1,615,165
Changes in Assets and Liabilities		
Accounts receivable	36,557	(87,625)
Prepaid expenses	(112,283)	(7,336)
Materials and supplies	(22,036)	161,306
Pension liability, deferrals, and prepaids	105,860	(500,000)
Accounts payable	413,049	(63,432)
Net OPEB obligation	(2,208,466)	696,909
Accrued wages and benefits	(16,399)	86,904
Other liabilities	1,460	673
	<u>1,460</u>	<u>673</u>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b><u>\$ (14,654,706)</u></b>	<b><u>\$ (11,897,628)</u></b>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO</b>		
<b>STATEMENT OF NET POSITION ACCOUNTS</b>		
Cash and investments - current	\$ 6,315,886	\$ 5,807,592
Investments - non-current	1,274,975	1,296,419
Designated investments - OPEB	-	2,791,655
Total Cash and Investments	<u>7,590,861</u>	<u>9,895,666</u>
Less: Noncash equivalents	<u>1,302,070</u>	<u>3,122,957</u>
<b>CASH AND CASH EQUIVALENTS</b>	<b><u>\$ 6,288,791</u></b>	<b><u>\$ 6,772,709</u></b>

See accompanying notes to financial statements

# SPRINGFIELD MASS TRANSIT DISTRICT

## STATEMENT OF NET POSITION FIDUCIARY FUND As of June 30, 2015

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	<u>OPEB Trust Fund</u>
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	\$ 2,391,726
Interest receivable	5,562
Total Current Assets	<u>2,397,288</u>
<b>NONCURRENT ASSETS</b>	
Municipal bonds	<u>383,264</u>
<b>TOTAL ASSETS</b>	<u>2,780,552</u>
<b>NET POSITION</b>	
Held in trust for pension benefits	<u>\$ 2,780,552</u>

See accompanying notes to financial statements.

**SPRINGFIELD MASS TRANSIT DISTRICT**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUND  
For the Year Ended June 30, 2015

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	<u>OPEB Trust Fund</u>
<b>ADDITIONS</b>	
Employer contributions	\$ 3,091,629
<b>DEDUCTIONS</b>	
Benefits	299,974
Net investment loss	<u>11,103</u>
Total deductions	311,077
<b>CHANGE IN NET POSITION</b>	2,780,552
NET POSITION - Beginning of Year	<u>-</u>
<b>NET POSITION - END OF YEAR</b>	<u><u>\$ 2,780,552</u></u>



# SPRINGFIELD MASS TRANSIT DISTRICT

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2015 and 2014

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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The financial statements of Springfield Mass Transit District (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to enterprise funds of government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the District are described below:

#### **REPORTING ENTITY**

The District (a public benefit corporation) was created under the provisions of the “Illinois Local Mass Transit District Act.” The members of the District’s governing board are appointed by the Chairman of the Sangamon County Board with the consent of the County Board; however, the County’s responsibility does not extend beyond the appointment process. Accordingly, the District does not meet the definition of a component unit of a primary government under the requirements of Governmental Accounting Standards board Statement No. 61, *The Financial Reporting Entity: an amendment of GASB Statements No. 14 and No. 34*. In addition, there are no organizations which are financially accountable to the District that would require consideration as component units of the District under the standards referred to above.

In addition, the District reports the OPEB trust fund as a fiduciary fund. This fund is used to account for and report resources that are required to be held in trust for the members and beneficiaries of the District’s other post-employment benefit plan. The OPEB trust fund was established on June 1, 2015.

#### **MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION**

The term measurement focus is used to denote what is being measured and reported in the District’s operating statement. The District is accounted for on the flow of economic resources measurement focus. The fundamental objective of this focus is to measure whether the District is better or worse off economically as a result of events and transactions of the period.

The term basis of accounting is used to determine when a transaction or event is recognized on the District’s operating statement. The District uses the full accrual basis of accounting. Under this basis, revenues are recorded when earned and expenses are recorded when incurred, even though actual payment or receipt may not occur until after the period ends.

The District follows enterprise fund accounting. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business or where the governing body has decided that the determination of revenues earned, costs incurred and net income is necessary for management accountability.

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

# SPRINGFIELD MASS TRANSIT DISTRICT

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2015 and 2014

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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#### ***MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (cont.)***

GASB issued Statement No. 68 – *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB No. 68*, in June 2012 and November 2013, respectively. These statements establish accounting and financial reporting standards for the accounting and reporting of the District's agent multiple employer pension plan. This statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employer*. The District adopted these statements effective July 1, 2014. The cumulative impact of the implementation is shown in Note 11.

#### ***ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, AND NET POSITION***

##### ***Cash and Investments***

For the purpose of 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. The District considers its investment in the Illinois Funds Investment Pool to be the equivalent of cash. The investment pool is essentially a demand deposit account and deposits and withdrawals may be made at any time without prior notice or penalty. Non-negotiable certificates of deposits are recorded at cost.

The types of investments allowed are regulated by Illinois State laws and are listed in Note 2. Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income.

##### ***Designated Funds***

In fiscal year 2014, the District had designated funds, through Board resolution, in an amount from 65% of the cumulative annual OPEB required contribution up to the recognized OPEB liability to provide future funding for this benefit. In fiscal year 2015, the District established an OPEB Trust and deposited the previously designated funds. The Trust is presented as a fiduciary fund.

##### ***Accounts Receivable***

Substantially all District receivables are due from government units and are considered to be to be fully collectible.

##### ***Materials and Supplies Inventories***

Inventories of bus parts and lubricants are valued at the lower of cost or fair value using average invoice cost. Inventories of fuels are carried at the lower of cost or fair value, determined by the first-in, first-out method.

##### ***Prepaid Expenses***

This represents amounts paid for services or insurance coverage applicable to future periods.

# SPRINGFIELD MASS TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended June 30, 2015 and 2014

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## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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### *ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, AND NET POSITION (cont.)*

#### ***Pension Prepaid Contribution***

This represents the District's voluntary contribution to the Illinois Municipal Retirement Fund (IMRF) in fiscal year 2014. See Note 7.

#### ***Capital Assets and Depreciation***

Capital assets are recorded at cost and depreciation is provided over the assets' estimated useful lives by the straight-line method. The useful lives of capital assets are estimated as follows:

	<u>Years</u>
Building and improvements	33-1/3
Light duty equipment	3 – 5
Medium duty vans	9
Service vehicles	6
Buses/fareboxes	12
Used buses	2
Computers/software	3
Furniture, fixtures, shelters, and other equipment	10 – 15

The District records all capital items, which are individually greater than \$5,000, with a useful life of greater than one year, as capital assets.

#### ***Deferred Outflows of Resources***

A deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until that future time. Deferred outflows relate to the GASB Statement No. 68 pension liability. Details of the account are included in Note 7.

#### ***Accrued Compensated Absences***

Employees earn varying amounts of vacation depending on the number of years of service and employment position. Vacation pay will be paid at the time vacation is taken and does not accumulate from one year to another. When an employee separates from the District, earned and unused vacation time will be computed and paid out to the employee at their regular rate of pay.

Upon the death or IMRF retirement, full-time administrative employees hired prior to February 1, 2011 and full-time Bus Operators and Maintenance Technicians will be paid up to 25 days of unused sick time. Full-time administrative employees hired after February 1, 2011 will be paid up to 20 days of unused sick time. The sick time will be paid out to the employee at their regular rate of pay. Employees may forgo payment of entitled sick days in order to obtain additional service credit from IMRF. Any unused, unpaid sick time will be reported to the Illinois Municipal Retirement Fund (IMRF) to be used for additional service credit up to one year.

# SPRINGFIELD MASS TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended June 30, 2015 and 2014

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## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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### *ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, AND NET POSITION (cont.)*

#### ***Other Post-Employment Benefit Obligation (Net OPEB Obligation)***

The District provides post-employment health insurance benefits to all eligible employees. The obligation for these benefits, as computed by an actuary, is recorded in accordance with the provisions of Statement No. 45 of the Governmental Accounting Standards Board. See Note 8.

#### ***Net Pension Liability***

For purposes of measuring the Net Pension Liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Illinois Municipal Retirement Fund (IMRF) and additions to/deductions from IMRF's fiduciary net position have been determined on the same basis as they are reported by IMRF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### ***Provision for Uninsured Claims***

Claims for uninsured losses are reported in the financial statements based upon the requirements of Governmental Accounting Standards Board Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. In addition, claims adjustment expenses expected to be incurred in connection with the settlement of unpaid claims are accrued at the time the liability for the underlying claim is recognized. The amount of claims liabilities at the end of the year is included in accounts payable on the District's statement of net position. See Note 9.

#### ***Net Position***

Equity is classified as Net Position and is displayed in three components:

- > *Net investment in capital assets* – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds 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. The District has no outstanding debt as of June 30, 2015 and 2014.

# SPRINGFIELD MASS TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended June 30, 2015 and 2014

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## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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### *ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, AND NET POSITION (cont.)*

#### *Net Position (cont.)*

- > *Restricted* – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislations. Certain unexpended property tax revenues are restricted by state statutes and may only be used for the purposes for which they were originally levied. In both fiscal years 2015 and 2014, the District expended all of its property tax revenues; therefore no restricted net position related to unexpended property tax revenue is reported. The District's deferred outflows related to pensions exceed their net pension liability as recorded in accordance with GASB Statement No. 68. As this portion of net position is available only for the payment of future pensions, it is reported as restricted net position at June 30, 2015.
- > *Unrestricted net position* – The component of net position consists of net position 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 unrestricted resources first, then restricted resources as they are needed.

### *REVENUES AND EXPENSES*

#### *Revenue Recognition*

Operating revenues of the District are passenger fare revenues received from customers. The District also recognizes as operating revenue amounts received from businesses for advertisements on District buses and other District-owned property. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. Other revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Property taxes due to the District, net of estimated uncollectible amounts, are recognized as revenues in the year for which they are levied. Revenue from the Illinois corporate personal property replacement tax is recognized to the extent that the tax is available for distribution to the District by the Illinois Department of Revenue. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Revenue from passes and tokens is generally recognized at the time of sale.

#### *Capital Contributions*

The District has received Federal, State and Local funding for acquisition and construction of capital assets. In accordance with GASB Statement No. 33, this funding is reported as an increase in net position.

The 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 statements.

# SPRINGFIELD MASS TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended June 30, 2015 and 2014

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## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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### *REVENUES AND EXPENSES* (cont.)

#### ***CNG Fuel Rebate Net of State Assistance Adjustment***

The District uses compressed natural gas (CNG) as an alternative fuel and is eligible to receive a rebate from the federal government. This federal program had expired on December 31, 2013; however, it was reauthorized on January 16, 2015 retroactive to January 1, 2014. As such the District received the rebate for fuel used during January – June 2014 in 2015. The Illinois Department of Transportation (IDOT) recognizes the CNG rebate as a reduction in eligible fuel costs for purposes of the Downstate Operating Assistance program. As such, management recognized a reduction in the fiscal 2014 operating assistance receivable for this period equal to 65% of the rebate received in 2015.

#### ***EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT PERIOD FINANCIAL STATEMENTS***

GASB has approved GASB Statement No. 72, *Fair Value Measurement and Application*, Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. When they become effective, application of these standards may restate portions of these financial statements.

#### ***COMPARATIVE DATA***

Certain amounts presented in the prior year data may have been reclassified in order to be consistent with the current year's presentation.

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## NOTE 2 – DEPOSITS AND INVESTMENTS

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The District's investment policy allows the District to invest in instruments allowed by Illinois Compiled Statutes (ILCS). Specifically, the District is permitted to invest in the following:

- 1) Bonds, notes, certificates of indebtedness, treasury bills or other securities which are guaranteed by the full faith and credit of the United States of America as to principal and interest.
- 2) Bonds, notes debentures, or other similar obligations of the United States of America, its agencies, and its instrumentalities.
- 3) Interest-bearing savings accounts, certificates of deposit or time deposits or any other investments constituting direct obligations of any bank as defined by the Illinois Banking Act.
- 4) Short-term obligations of corporations organized in the United States with assets exceeding \$500 million. The obligation must be rated with one of the three highest classifications by two standard ratings services, must mature within 180 days of purchase, and such purchases cannot exceed 10 percent of the corporation's outstanding obligations.

## SPRINGFIELD MASS TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended June 30, 2015 and 2014

### NOTE 2 – DEPOSITS AND INVESTMENTS (cont.)

- 5) Money market mutual funds registered under the Investment Company Act of 1940.
- 6) Interest-bearing bonds of any county, township, city, village, incorporated town, municipal corporation, or school district. The bonds must be rated at the time of purchase within the four highest general classifications established by a rating service of nationally recognized expertise.

The Illinois Funds are reported at \$1 per share value, which equals the District's fair value of the pool. The District's Board, by resolution, periodically prescribes minimum acceptable interest rates for such investments and minimum collateral requirements for uninsured deposits and investments. Deposits and investments held by the District at June 30 consist of the following:

	2015		2014	
	Bank Balance	Carrying Value	Bank Balance	Carrying Value
Checking and Savings	\$ 2,890,771	\$ 2,793,322	\$ 517,396	\$ 529,780
Money Market	2,962,591	2,962,591	257,010	257,010
Certificates of Deposit	1,798,415	1,787,141	2,848,336	2,844,285
Illinois Funds	2,160,753	2,160,753	6,001,387	6,001,387
Municipal Bonds	582,609	582,609	172,166	172,166
US Agencies	79,435	79,435	91,038	91,038
Totals	\$ 10,474,574	\$ 10,365,851	\$ 9,887,333	\$ 9,895,666

Reconciliation to financial statements

Per statement of net position			
Current cash and investments		\$ 6,315,886	\$ 5,807,592
Noncurrent designated investments		-	2,791,655
Noncurrent investments		1,274,975	1,296,419
Per statement of net position –			
Fiduciary Fund			
Cash and cash equivalents		2,391,726	-
Municipal bonds		383,264	-
Total Deposits and Investments		\$ 10,365,851	\$ 9,895,666

# SPRINGFIELD MASS TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended June 30, 2015 and 2014

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## NOTE 2 – DEPOSITS AND INVESTMENTS (cont.)

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### *Custodial Credit Risk*

#### **Deposits**

Custodial credit risk is the risk that in the event of a financial institution failure, the District's deposits may not be returned to the District. To guard against custodial credit risk for deposits with financial institutions, the District investment policy requires that deposits with financial institutions in excess of Federal Depository Insurance Corporation (FDIC) coverage amounts be collateralized with collateral in an amount of 100% of the uninsured deposits. At June 30, 2015 and 2014, the District had collateral agreements with a market value of \$3,893,681 and \$2,217,405, respectively. In addition, at June 30, 2015 and 2014 the District had an irrevocable, unconditional and nontransferable letter of credit in the amount of \$500,000 and \$1,000,000, respectively, to secure their operating account. At June 30, 2015 and 2014 the District had uncollateralized deposits with a carrying value of \$0.

#### **Investments**

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

As of June 30, 2015 and 2014, no investments were exposed to custodial credit risk.

The District's investment policy limits investing to security types that are allowed by ILCS.

### *Credit Risk*

#### **Investments**

Credit risk is the risk an issuer to other counterparty to an investment will not fulfill its obligations. At June 30, 2015, the District's investments were rated as follows:

<u>Investment Type</u>	<u>Standard &amp; Poors</u>	<u>Moody's Investors Services</u>
U. S. Agencies	Not rated	AAA
Municipal Bonds	A, A-, AA, AA-	Not rated, A2, A3, AA3
Illinois Funds	AAAm	Not rated

At June 30, 2014, the District's investments were rated as follows:

<u>Investment Type</u>	<u>Standard &amp; Poors</u>	<u>Moody's Investors Services</u>
U. S. Agencies	Not rated	AA, AAA
Municipal Bonds	A, A-, AA, AA-	Not rated, A3, AA3
Illinois Funds	AAAm	Not rated



# SPRINGFIELD MASS TRANSIT DISTRICT

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2015 and 2014

### NOTE 2 – DEPOSITS AND INVESTMENTS (cont.)

***Credit Risk*** (cont.)

**Investments** (cont.)

The Illinois Funds (the Fund) is an external investment pool authorized by the Illinois General Assembly. The Fund is exempt from registering with the Securities and Exchange Commission. The Fund is rated by Standard and Poors upon the request of the Fund's management. The fair value of the position in the Illinois Funds Investment Pool is the same as the value of the pool shares. Illinois State Statute provides the Illinois State Treasurer with regulatory oversight over the Pool.

The District's investment policy addresses this risk by allowing investments that are rated at the time of purchase within the four highest classifications established by a rating service of nationally recognized expertise.

***Interest Rate Risk***

Interest rate risk is the risk changes in interest rates will adversely affect the fair value of an investment.

At June 30, 2015 and 2014, the District's investments were as follows:

Investment	Maturity Date	Fair Value - 2015	Fair Value - 2014
Government National Mortgage Association	03/16/33	\$ 45,442	\$ 49,884
Government National Mortgage Association	09/20/33	33,993	41,154
Subtotal		79,435	91,038
Municipal Bond	12/01/18	51,303	52,425
Municipal Bond	09/01/21	31,547	30,936
Municipal Bond	07/01/20	50,937	50,381
Municipal Bond	04/01/19	36,980	38,426
Municipal Bond	08/01/23	28,579	-
Municipal Bond	08/01/24	68,633	-
Municipal Bond	12/15/28	39,130	-
Municipal Bond	06/01/30	116,163	-
Municipal Bond	12/15/30	36,948	-
Municipal Bond	08/01/31	101,295	-
Municipal Bond	08/01/34	21,094	-
Subtotal		582,609	172,168

The District's investment policy addresses this risk by following the Illinois Public Investment Act which allows investments in Federal and local government bonds.

# SPRINGFIELD MASS TRANSIT DISTRICT

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2015 and 2014

### NOTE 3 – LOCAL TAXES

Property taxes attach as an enforceable lien on real property as of January 1 in the year in which the taxes are levied. The District generally files its tax levy ordinance with Sangamon County in July of each year. Sangamon County bills, collects, and disburses the taxes of the District. The taxes are generally payable in two installments on June 1 and September 1. The taxes levied in July of 2014 became a lien on January 1, 2015, were payable in June and September of 2015 and recognized as revenue in fiscal year 2015. The taxes levied in July of 2013 became a lien on January 1, 2014, were payable in June and September of 2014 and recognized as revenue in fiscal year 2014. The taxes levied in July of 2015 will be received and recognized as revenue in fiscal year 2016. Amounts not received in September are written off in the current fiscal year and have historically been insignificant.

The District is permitted, without referendum, to levy taxes up to .25% per \$100 of assessed valuation (\$2,034,302,061 in 2015 and \$2,066,512,757 in 2014) for general corporate purposes, .005% for auditing purposes, and in unlimited amounts for retirement and certain liability insurance and other costs, subject to annual statutory limitations on increases of the lesser of 5% or the increase in the consumer price index for the year. Taxes revenue and receivable at June 30 consist of the following:

	2015		2014	
	Revenue	Receivable	Revenue	Receivable
General corporate levy	\$ 1,247,897	\$ 640,956	\$ 1,324,331	\$ 643,475
Illinois Municipal Retirement Fund levy	361,317	185,786	354,239	183,237
Liability insurance levy	409,537	210,558	394,752	204,179
Social security levy	369,341	189,917	362,335	187,426
Auditing levy	24,084	12,388	24,288	12,565
Replacement tax	156,373	25,670	145,401	24,682
Totals	<u>\$ 2,568,549</u>	<u>\$ 1,265,275</u>	<u>\$ 2,605,346</u>	<u>\$ 1,255,564</u>

### NOTE 4 – OPERATING ASSISTANCE GRANTS

The Federal Transit Administration (FTA) reimburses the District for up to one-half of the District's eligible operating losses incurred during the fiscal year, subject to certain limitations. The Division of Public Transportation, IDOT reimburses the District for 65% of the District's eligible operating expenses subject to certain overall limitations. Operating grants received in excess of the amounts earned under the terms of the grants are required to be repaid to the grantor.

**SPRINGFIELD MASS TRANSIT DISTRICT**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended June 30, 2015 and 2014

**NOTE 4 – OPERATING ASSISTANCE GRANTS (cont.)**

At June 30, amounts were due to the District from IDOT and the FTA as follows:

	<u>2015</u>	<u>2014</u>
IDOT FY 15 Operating assistance OP-15-05-IL	\$ (93,752)	\$ -
IDOT FY 14 Operating assistance OP-14-05-IL	(17,152)	212,080
IDOT FY 13 Operating assistance OP-13-05-IL	(1,833)	(1,833)
IDOT FY 12 Operating assistance OP-12-05-IL	(66,300)	(66,300)
IDOT FY 11 Operating assistance OP-11-05-IL	22,733	22,733
IDOT FY 97 Operating assistance OP-97-05-IL	(34,259)	(34,259)
IDOT FY 96 Operating assistance OP-96-05-IL	27,945	27,945
IDOT FY 95 Operating assistance OP-95-05-IL	20,670	20,670
IDOT FY 94 Operating assistance OP-94-05-IL	22,737	22,737
Less: Allowance for doubtful accounts	<u>(37,093)</u>	<u>(37,093)</u>
Total State Operating Assistance Receivable	(156,304)	166,680
Federal operating assistance receivable*	<u>1,109,501</u>	<u>31,431</u>
Total Operating Assistance Receivable	<u>\$ 953,197</u>	<u>\$ 198,111</u>

\*This includes receivables for Projects IL-90-X744, IL-90-X656, and UIS and Route 19 operating assistance.

**NOTE 5 – CAPITAL ASSISTANCE GRANTS**

The FTA reimburses the District for the federal share of the District's capital expenditures incurred during the fiscal year according to individual grant agreements.

At June 30, amounts were due to the District, as follows:

	<u>2015</u>	<u>2014</u>
Federal Capital Assistance IL-80-X006	\$ -	\$ 8,290
Federal Capital Assistance IL-04-X075	-	450
Federal Capital Assistance IL-90-X686	-	45,528
Federal Capital Assistance IL-90-X656	-	854
Federal Capital Assistance IL-90-X636	131,555	-
Federal Capital Assistance IL-58-X002	128,951	-
Federal Capital Assistance IL-90-X712	102,179	-
Federal Capital Assistance IL-04-X013	981	8,601
Federal Capital Assistance IL-90-X673	-	11,960
Federal Capital Assistance IL-03-X284	<u>-</u>	<u>1,702</u>
Total Capital Assistance Receivable	<u>\$ 363,666</u>	<u>\$ 77,385</u>

## SPRINGFIELD MASS TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended June 30, 2015 and 2014

### NOTE 6 – CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ending June 30, 2015 consists of the following:

	Balances July 1, 2014	Additions	Retirements	Balances June 30, 2015
Capital assets, not being depreciated				
Land	\$ 1,219,044	\$ -	\$ -	\$ 1,219,044
Construction in progress	774,936	1,998,729	1,900,853	872,812
Total Capital Assets Not Being Depreciated	1,993,980	1,998,729	1,900,853	2,091,856
Capital assets, being depreciated				
Parking lot	113,715	-	-	113,715
Passenger shelters	163,948	-	-	163,948
Administration building	1,343,975	9,637	-	1,353,612
Buses and paratransit vans	22,472,396	321,244	1,596,597	21,197,043
Cars and trucks	186,440	47,925	-	234,365
Storage garage	2,000,811	-	-	2,000,811
Maintenance shop and office	7,749,088	-	-	7,749,088
Garage equipment	874,067	161,765	-	1,035,832
Office furniture and fixtures	150,312	-	-	150,312
Two-way radio equipment	19,206	-	-	19,206
Other assets	891,071	27,058	30,162	887,967
Telephone system	41,537	-	-	41,537
Stockroom and machine shop	176,377	-	-	176,377
CNG fueling station	518,566	1,744,203	518,566	1,744,203
Total Capital Assets Being Depreciated	36,701,509	2,311,832	2,145,325	36,868,016
Total Capital Assets	\$ 38,695,489	\$ 4,310,561	\$ 4,046,178	\$ 38,959,872

## SPRINGFIELD MASS TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended June 30, 2015 and 2014

### NOTE 6 – CHANGES IN CAPITAL ASSETS (cont.)

Accumulated depreciation activity for the year ending June 30, 2015 consists of the following:

	Balances July 1, 2014	Additions	Retirements	Balances June 30, 2015
Parking lot	\$ 113,715	\$ -	\$ -	\$ 113,715
Passenger shelters	154,303	4,525	-	158,828
Administration building	552,059	41,348	-	593,407
Buses and paratransit vans	11,427,830	1,353,333	1,440,679	11,340,484
Cars and trucks	114,058	24,232	-	138,290
Storage garage	1,083,633	51,500	-	1,135,133
Maintenance shop and office	487,841	232,346	-	720,187
Garage equipment	673,909	50,089	-	723,998
Office furniture and fixtures	149,974	125	-	150,099
Two-way radio equipment	14,989	1,675	-	16,664
Other assets	828,347	24,044	30,162	822,229
Telephone system	41,537	-	-	41,537
Stockroom and machine shop	132,722	5,291	-	138,013
CNG fueling station	517,833	36,965	518,566	36,232
Total Accumulated Depreciation	16,292,750	1,825,473	1,989,407	16,128,816
Total Capital Assets Being Depreciated, Net	20,408,759	486,359	155,918	20,739,200
Total Capital Assets, Net of Accumulated Depreciation	\$ 22,402,739	\$ 2,485,088	\$ 2,056,771	\$ 22,831,056

## SPRINGFIELD MASS TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended June 30, 2015 and 2014

### NOTE 6 – CHANGES IN CAPITAL ASSETS (cont.)

Capital asset activity for the year ending June 30, 2014 consists of the following:

	Balances July 1, 2013	Additions	Retirements	Balances June 30, 2014
Capital assets, not being depreciated				
Land	\$ 1,219,044	\$ -	\$ -	\$ 1,219,044
Construction in progress	118,092	656,844	-	774,936
Total Capital Assets Not Being Depreciated	1,337,136	656,844	-	1,993,980
Capital assets, being depreciated				
Parking lot	113,715	-	-	113,715
Passenger shelters	158,258	5,690	-	163,948
Administration building	1,343,975	-	-	1,343,975
Buses and paratransit vans	17,987,427	5,647,439	1,162,470	22,472,396
Cars and trucks	140,912	45,528	-	186,440
Storage garage	2,000,811	-	-	2,000,811
Maintenance shop and office	7,738,188	10,900	-	7,749,088
Garage equipment	761,984	112,083	-	874,067
Office furniture and fixtures	150,312	-	-	150,312
Two-way radio equipment	19,206	-	-	19,206
Other assets	856,060	35,011	-	891,071
Telephone system	41,537	-	-	41,537
Stockroom and machine shop	176,377	-	-	176,377
CNG fueling station	518,566	-	-	518,566
Total Capital Assets Being Depreciated	32,007,328	5,856,651	1,162,470	36,701,509
Total Capital Assets	\$ 33,344,464	\$ 6,513,495	\$ 1,162,470	\$ 38,695,489

## SPRINGFIELD MASS TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended June 30, 2015 and 2014

### NOTE 6 – CHANGES IN CAPITAL ASSETS (cont.)

Accumulated depreciation activity for the year ending June 30, 2014 consists of the following:

	Balances July 1, 2013	Additions	Retirements	Balances June 30, 2014
Parking lot	\$ 113,715	\$ -	\$ -	\$ 113,715
Passenger shelters	150,015	4,288	-	154,303
Administration building	510,930	41,129	-	552,059
Buses and paratransit vans	11,386,371	1,189,930	1,148,471	11,427,830
Cars and trucks	99,411	14,647	-	114,058
Storage garage	1,027,727	55,906	-	1,083,633
Maintenance shop and office	255,577	232,264	-	487,841
Garage equipment	627,700	46,209	-	673,909
Office furniture and fixtures	149,849	125	-	149,974
Two-way radio equipment	13,313	1,676	-	14,989
Other assets	805,627	22,720	-	828,347
Telephone system	41,537	-	-	41,537
Stockroom and machine shop	127,431	5,291	-	132,722
CNG fueling station	516,853	980	-	517,833
Total Accumulated Depreciation	15,826,056	1,615,165	1,148,471	16,292,750
Total Capital Assets Being Depreciated, Net	16,181,272	4,241,486	13,999	20,408,759
Total Capital Assets, Net of Accumulated Depreciation	\$ 17,518,408	\$ 4,898,330	\$ 13,999	\$ 22,402,739

### NOTE 7 – DEFINED BENEFIT PENSION PLAN

#### *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. A summary of IMRF's pension benefits is provided 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](http://www.imrf.org).

# SPRINGFIELD MASS TRANSIT DISTRICT

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2015 and 2014

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### NOTE 7 – DEFINED BENEFIT PENSION PLAN (cont.)

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#### ***BENEFITS PROVIDED***

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 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% 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% 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% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% 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% of the original pension amount, or
- > 1/2 of the increase in the Consumer Price Index of the original pension amount.

#### ***EMPLOYEES COVERED BY BENEFIT TERMS***

As of December 31, 2014, the following employees were covered by the benefit terms:

	<u>IMRF</u>
Retirees and Beneficiaries currently receiving benefits	93
Inactive Plan Members entitled to but not yet receiving benefits	74
Active Plan Members	<u>143</u>
<b>Total</b>	<u><u>310</u></u>

#### ***CONTRIBUTIONS***

As set by statute, the District's Regular Plan Members are required to contribute 4.5% 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 year 2014 was 10.23%. For the fiscal year ended June 30, 2015, the District contributed \$685,651 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.



# SPRINGFIELD MASS TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended June 30, 2015 and 2014

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## NOTE 7 – DEFINED BENEFIT PENSION PLAN (cont.)

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### *NET PENSION LIABILITY*

The District's net pension liability was measured as of December 31, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

### *ACTUARIAL ASSUMPTION*

The following are the methods and assumptions used to determine total pension liability at December 31, 2014:

- > 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 3.5%.
- > **Salary Increases** were expected to be 3.75% to 14.5%, including inflation.
- > The **Investment Rate of Return** was assumed to be 7.50%.
- > **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.

# SPRINGFIELD MASS TRANSIT DISTRICT

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2015 and 2014

### NOTE 7 – DEFINED BENEFIT PENSION PLAN (cont.)

#### *ACTUARIAL ASSUMPTION* (cont.)

- > 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 percentage 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:

<b>Asset Class</b>	<b>Portfolio Target Percentage</b>	<b>Long-Term Expected Real Rate of Return</b>
Domestic Equity	38%	7.60%
International Equity	17%	7.80%
Fixed Income	27%	3.00%
Real Estate	8%	6.15%
Alternative Investments	9%	5.25-8.50%
Cash Equivalents	<u>1%</u>	2.25%
Total	100%	

#### *SINGLE DISCOUNT RATE*

A Single Discount Rate of 7.50% 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%, the municipal bond rate is 3.56%, and the resulting single discount rate is 7.50%.

**SPRINGFIELD MASS TRANSIT DISTRICT**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended June 30, 2015 and 2014

**NOTE 7 – DEFINED BENEFIT PENSION PLAN (cont.)**

***CHANGES IN THE NET PENSION LIABILITY***

	<b>Total Pension Liability (A)</b>	<b>Plan Fiduciary Net Position (B)</b>	<b>Net Pension Liability (A) - (B)</b>
	<u>(A)</u>	<u>(B)</u>	<u>(A) - (B)</u>
<b>Balances at December 31, 2013</b>	\$ 26,122,545	\$ 27,626,737	\$ (1,504,192)
<b>Changes for the year:</b>			
Service Cost	783,068	-	783,068
Interest on the Total Pension Liability	1,938,489	-	1,938,489
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience of the Total Pension Liability	392,191	-	392,191
Changes of Assumptions	1,000,791	-	1,000,791
Contributions - Employer	-	670,876	(670,876)
Contributions - Employees	-	310,710	(310,710)
Net Investment Income	-	1,674,448	(1,674,448)
Benefit Payments, including Refunds of Employee Contributions	(1,335,128)	(1,335,128)	-
Other (Net Transfer)	-	(84,827)	84,827
<b>Net Changes</b>	<u>2,779,411</u>	<u>1,236,079</u>	<u>1,543,332</u>
<b>Balances at December 31, 2014</b>	\$ 28,901,956	\$ 28,862,816	\$ 39,140

***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%, as well as what the plan's net pension liability would be if it were calculated using a Single Discount Rate that is 1% lower or 1% higher:

	<u>1% Lower (6.50%)</u>	<u>Current Discount (7.50%)</u>	<u>1% Higher (8.50%)</u>
Net Pension Liability (Asset)	\$4,028,081	\$39,140	\$(3,228,349)

**SPRINGFIELD MASS TRANSIT DISTRICT**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended June 30, 2015 and 2014

**NOTE 7 – DEFINED BENEFIT PENSION PLAN (cont.)**

***PENSION EXPENSE, DEFERRED OUTFLOWS OF RESOURCES, AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS***

For the year ended June 30, 2015, the District recognized pension expense of \$791,511. At June 30, 2015, the District reported deferred outflows of resources related to pensions from the following sources:

<u>Deferred Amounts Related to Pensions</u>	<u>Deferred Outflows of Resources</u>
<b><i>Deferred Amounts to be Recognized in Pension Expense in Future Periods</i></b>	
Differences between expected and actual experience	\$ 314,715
Changes of assumptions	803,088
Net difference between projected and actual earnings on pension plan investments	<u>304,894</u>
Total Deferred Amounts to be recognized in pension expense in future periods	<u>1,422,697</u>
<b><i>Pension Contributions made subsequent to the Measurement Date</i></b>	<u>331,307</u>
<b>Total Deferred Amounts Related to Pensions</b>	<u><u>\$ 1,754,004</u></u>

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

<u>Year Ending June 30</u>	<u>Deferred Outflows of Resources</u>
2016	\$ 682,710
2017	351,403
2018	351,403
2019	351,403
2020	<u>17,085</u>
Total	<u><u>\$ 1,754,004</u></u>

# SPRINGFIELD MASS TRANSIT DISTRICT

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2015 and 2014

### NOTE 7 – DEFINED BENEFIT PENSION PLAN (cont.)

#### **OUTSTANDING PAYABLES**

At June 30, 2015 and 2014, the District had outstanding payables to IMRF of \$96,090 and \$110,448, respectively, related to June 2015 and 2014 employer, employee, and voluntary contributions, which are payable in the following month. These amounts are included in accounts payable on the Statements of Net Position.

#### **ANNUAL PENSION COST – PRE GASB 68**

The District's annual required contribution was \$706,348, \$749,921, and \$702,232, respectively, for the calendar years ending December 31, 2014, 2013 and 2012. For fiscal years ending June 30, 2014, 2013, and 2012, actual contributions were \$1,222,810, \$1,210,039, and \$668,678, respectively. Actual contributions exceeded required contributions by \$500,000 in both fiscal years 2014 and 2013, resulting in a net pension asset as shown below. The net pension asset represents an additional voluntary contribution to the plan and is presented as a prepaid asset on the Statement of Net Position.

#### **Three-Year Trend Information for the Regular Plan**

Calendar Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
12/31/14	\$ 706,348	100%	\$ (1,000,000) *
12/31/13	749,921	100%	(500,000) *
12/31/12	702,232	93%	-

\* Net Pension Obligation represents amounts as of the fiscal years ending June 30, 2014 and June 30, 2013.

The required contribution for calendar 2013 (the plan year) was determined as part of the December 31, 2012 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2011, included (a) 7.50% investment rate of return (net of administrative and direct investment expenses); (b) projected salary increases of 4% a year, attributable to inflation; (c) additional projected salary increases ranging from 0.4% to 10% per year depending on age and service, attributable to seniority/merit; and (d) post-retirement benefit increases of 3% annually. The actuarial value of the District's plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets. The District's plan's unfunded actuarial accrued liability at December 31, 2011 is being amortized as a level percentage of projected payroll on an open 30 year basis.

#### **FUNDED STATUS AND FUNDING PROGRESS – PRE GASB 68**

As of December 31, 2013, the most recent actuarial valuation date, the plan was 92.64% funded. The actuarial accrued liability for benefits was \$12,595,668 and the actuarial value of assets was \$11,668,602, resulting in an underfunded actuarial accrued liability (UAAL) of \$927,066. The covered payroll (annual payroll of active employees covered by the plan) was \$6,607,231 and the ratio of the UAAL to the covered payroll was 14%.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

# SPRINGFIELD MASS TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended June 30, 2015 and 2014

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## NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS

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### *PLAN DESCRIPTION*

The District provides post-employment group health and life insurance coverage for eligible retirees, as per the union contracts. Employees covered by post-employment group health benefits and life insurance benefits under the District Union contract are District operators and mechanics. Paratransit drivers do not have post-employment group health and life benefits under the Access Union contract. Administration staff, Paratransit administration, District dispatch and administration, and the supervisor of maintenance fall under the administration policy post-employment group health and life benefits. The Board of Trustees has the authority to amend the plan and the funding policy.

### *ELIGIBILITY REQUIREMENTS AND BENEFITS PROVIDED*

Eligibility requirements and benefits provided for District operators and mechanics are as follows: The District will pay the Union adopted and District approved group medical coverage premium for any retired full-time employee who has retired on or after July 1, 1980 and before July 1, 1996, and have attained age 60 years at retirement. The District will pay the Union adopted and District approved group medical coverage premium for any retired employee who has retired on or after July 1, 1996 having attained the age of 55 years at retirement; provided, however, that each employee retiring on or after July 1, 1996 shall pay 50% of the monthly premium in excess of \$225 per month up to a maximum out-of-pocket cost to the retiree of \$35 per month. Further, provided that each employee retiring on or after December 31, 2006 shall pay 10% of the monthly premium up to a maximum out-of-pocket cost to the retiree of \$58.90 per month.

The District shall provide a \$3,750 life insurance policy for all of its retired employees.

Amalgamated Transit Union (ATU) employees who retire on or after January 1, 2009 pay varying percentages of the retiree premium with varying maximums based on the following schedule:

<u>Years of Service</u>	<u>% of Monthly Premium</u>	<u>Maximum Monthly Premium</u>
10	40%	\$ 125
11	37%	125
12	34%	110
13	28%	110
14	25%	110
15	22%	110
16+	11%	80

ATU members hired after June 30, 2011, will not be eligible for healthcare benefits upon retirement.

**SPRINGFIELD MASS TRANSIT DISTRICT**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended June 30, 2015 and 2014

**NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (cont.)**

***ELIGIBILITY REQUIREMENTS AND BENEFITS PROVIDED (cont.)***

The District will pay the approved group medical coverage premium for administration staff, paratransit administration, transportation department, and the supervisor/and assistant of maintenance who retire under IMRF and have attained the following years of service:

Years of Service	Full time before Feb, 2011 % of Monthly Premium Emp/Dep	Full time after Feb 2011 % of Monthly Premium Emp/Dep	Employee Maximum Monthly Premium
10	70%/0%	64%/0%	\$ 125.00
11	74%/0%	67%/0%	125.00
12	81%/0%	73%/0%	110.00
13	84%/0%	76%/0%	110.00
14	88%/60%	79%/30%	110.00
15	90%/70%	80%/40%	110.00
16	100%/80%	90%/50%	80.00

Dependent coverage will be offered at the percentage of the actual cost.

For employees hired/full time after August 1, 2012, no health care benefit will be offered upon retirement.

Upon reaching Medicare age, employees enroll in Medicare Part B coverage. At that time, Medicare becomes the primary insurance policy and the District plan becomes supplemental. The premium for the supplemental plan is reduced. The retiree continues to contribute toward the reduced premium according to the tier that they retired under as outlined above.

***MEMBERSHIP***

At June 30, 2013 (latest information available), membership consisted of:

Retirees and beneficiaries currently receiving benefits	57
Terminated employees entitled to benefits but not yet receiving them	-
Active employees	<u>75</u>
Total	<u><u>132</u></u>

***FUNDING POLICY***

The District negotiates the contribution percentage between the District and employees through the union contracts and personnel policy. Retirees are required to contribute applicable premiums as defined in the Union Agreement and the District contributes the remainder to cover the cost of providing the benefits to the retirees via the insured plan (pay as you go). For the fiscal year ended June 30, 2015 and 2014, the District contributed \$299,974 and \$303,891, respectively. In addition, in fiscal year 2015, the District established a trust fund in which to hold funds for the members and beneficiaries of the fund. The amount deposited in the trust was \$2,791,655. Active employees do not contribute to the plan until retirement.

## SPRINGFIELD MASS TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended June 30, 2015 and 2014

### NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (cont.)

#### **ANNUAL OPEB COSTS AND NET OPEB OBLIGATION**

The District had an actuarial valuation performed for the plan as of June 30, 2013 to determine the employer's annual required contribution (ARC) for the fiscal year ended June 30, 2015. The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation is as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2013	\$ 816,312	\$ 279,494	34.24%	\$ 2,094,746
June 30, 2014	1,001,800	303,891	30.33%	2,791,655
June 30, 2015	883,163	3,091,629	350.06%	583,189

The net OPEB obligation (NOPEBO) as of June 30, (latest information available) was calculated as follows:

	2015	2014
Annual required contribution	\$ 906,537	\$ 906,537
Interest on net OPEB obligation	125,624	94,263
Adjustments to annual required contribution	(148,998)	-
Annual OPEB cost	883,163	1,000,800
Contributions made	3,091,629	303,891
Increase/(Decrease) in Net OPEB Obligation	(2,208,466)	696,909
Net OPEB Obligation – Beginning of Year	2,791,655	2,094,746
Net OPEB Obligation – End of Year	<u>\$ 583,189</u>	<u>\$ 2,791,655</u>

*Funded Status and Funding Progress.* The funded status of the plan as of June 30, 2015\*, was as follows:

Actuarial accrued liability (AAL)	\$ 10,518,112
Actuarial value of plan assets	<u>2,780,552</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 7,737,560</u>
Funded ratio (actuarial value of plan assets/AAL)	26.44%
Covered payroll (active plan members)	\$ 6,007,052
UAAL as a percentage of covered payroll	128.80%

\* The amounts presented above are as of June 30, 2013, the most recent actuarial valuation date, except for the actuarial value of plan assets and related UAAL which have been adjusted as of June 30, 2015 to account for the segregated OPEB trust established in fiscal year 2015.



# SPRINGFIELD MASS TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended June 30, 2015 and 2014

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## **NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (cont.)**

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### ***ANNUAL OPEB COSTS AND NET OPEB OBLIGATION (cont.)***

Actuarial valuations of an ongoing plan involve estimates for 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 trend. Amounts determined regarding the funded status of the plan and annual required contributions of the employer 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 multiyear 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.

The Board had designated certain investments for the payment of future OPEB costs beginning in fiscal year 2013. Because these resources were not part of a segregated OPEB trust until fiscal year 2015, they could not be treated as plan assets for actuarial purposes. These investments are shown as plan assets for the fiscal year ended June 30, 2015.

*Actuarial Methods and Assumptions.* Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2013 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.50% investment rate of return (net of administrative expenses) and an initial annual healthcare cost trend rate of 7.50% reduced by 0.5% each year to arrive at an ultimate healthcare cost trend rate 5.00%. Increases in health care costs use an inflation rate between 0.0% and 4.2% depending on the age group. The actuarial value of assets was not determined as the District has not advanced funded its obligation. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period at June 30, 2013 and June 30, 2014 was 20 years.

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## **NOTE 9 – CONTINGENT LIABILITIES AND SELF-INSURANCE**

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The District's participation in various state and federally-assisted grant programs is subject to acceptance of compliance audits by the grantors. Accordingly, the District's compliance with applicable grant requirements may be established at some future date. Management believes the District has complied with the terms and conditions of its grants, and that proposed adjustments, if any, will not be material.

In September 1985, the District became self-insured for losses arising from workers' compensation and public liability claims.

For the year ended June 30, 2015, the District paid \$179,112 in full or partial settlement of various claims and paid an additional \$148,779 for claims adjustment and related legal services. In addition, \$990,801 had been provided, net of estimated subrogation rights, for estimated losses on 38 unsettled claims outstanding at the end of the year.

## SPRINGFIELD MASS TRANSIT DISTRICT

### NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2015 and 2014

#### **NOTE 9 – CONTINGENT LIABILITIES AND SELF-INSURANCE (cont.)**

For the year ended June 30, 2014, the District paid \$94,098 in full or partial settlement of various claims and paid an additional \$84,866 for claims adjustment and related legal services. In addition, \$615,955 had been provided, net of estimated subrogation rights, for estimated losses on 35 unsettled claims outstanding at the end of the year.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs).

A reconciliation of the changes in the total liabilities for claims for the current fiscal year and the prior fiscal year are shown below:

	2015	2014
Amount of claims liabilities, at the beginning of the year	\$ 615,955	\$ 672,829
Incurred claims for the current year and changes in the provision for events of prior years	702,737	122,090
Payments of claims attributable to the current and prior years	(327,891)	(178,964)
Amount of Claims Liabilities, at the End of the Year	\$ 990,801	\$ 615,955

The amount of claims liabilities at the end of the year is included in accounts payable on the District's statement of net position.

Type		Coverage	Expiration
<i>Travelers</i>			
Deluxe Property	\$17,330,000	Aggregate	7/1/15
Employee Toolboxes	400,000	Aggregate	7/1/15
Commercial Automobile	4,000,000	Per occurrence	7/1/15
General Liability	1,000,000	Each occurrence	7/1/15
Commercial General Liability	2,000,000	Aggregate	7/1/15
	1,000,000	Each occurrence	7/1/15
Employee Benefits	3,000,000	Aggregate	7/1/15
	1,000,000	Each employee	7/1/15
<i>Cincinnati Insurance</i>			
Vehicle Physical Damage	23,461,923	Aggregate	7/1/15
<i>Scottsdale Insurance Company</i>			
Excess Liability	9,000,000	Aggregate	7/1/15
<i>Safety National Casualty Corporation</i>			
Excess Workers' Compensation	500,000	Per occurrence	7/1/15
Employers' Liability	500,000	Per occurrence	7/1/15

For those exposures covered by insurance policies, settled claims have not exceeded insurance coverage purchased for the past three fiscal years. Employee life and health risks are insured through the purchase of a group insurance plan.

# SPRINGFIELD MASS TRANSIT DISTRICT

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2015 and 2014

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### NOTE 10 – COMMITMENTS

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The District entered into an agreement with the Greater Springfield Chamber of Commerce (Chamber) for economic development planning and implementation. The term of the agreement is from July 1, 2014 to June 30, 2015. The District agreed to pay the Chamber \$30,000 in equal quarterly installments for their services. This agreement may be extended from year to year with the Board's approval and has been extended through fiscal year 2016.

#### GRANTS

The District has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

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### NOTE 11 – CUMULATIVE EFFECT IF CHANGE IN ACCOUNTING PRINCIPLE

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The District adopted GASB Statement No. 68 and No. 71 effective July 1, 2014. The cumulative impact of implementation is reflected as a change in net position as follows:

Net pension liability July 1, 2014	\$ 1,504,192
Prepaid IMRF Contribution	(1,000,000)
Deferred outflows July 1, 2014	<u>316,532</u>
Cumulative Effect of Change in Accounting Principle	<u>\$ 820,724</u>

Additional information required for retroactive implementation was not provided by the pension plan.

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### NOTE 12 – SUBSEQUENT EVENTS

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On July 17, 2015, the District entered in to a loan agreement with Illinois National Bank to obtain a line of credit in the amount of \$1,500,000 with a maturity date of July 17, 2018. Interest on the unpaid principal balance will be calculated using a rate of 3.25 percentage points over the index rate, resulting in an initial rate of 3.437%.

On July 27, 2015 the District approved the purchase of property at 100 E. Washington St., Springfield, Illinois for \$470,000 to be used as part of the transfer center. The property will be leased for a period not to exceed twelve months to the current tenant for \$1 per month until they can be relocated.

**REQUIRED SUPPLEMENTARY INFORMATION**

# SPRINGFIELD MASS TRANSIT DISTRICT

## DEFINED BENEFIT PENSION PLAN – REQUIRED SUPPLEMENTARY INFORMATION UNAUDITED

### Schedule of Changes in the Net Pension Liability and Related Ratios For the Year Ended December 31, 2014

<b>Total Pension Liability</b>	
Service Cost	\$ 783,068
Interest on the Total Pension Liability	1,938,489
Changes of Benefit Terms	-
Differences Between Expected and Actual Experience of the Total Pension Liability	392,191
Changes of Assumptions	1,000,791
Benefit Payments, including Refunds of Employee Contributions	(1,335,128)
<b>Net Change in Total Pension Liability</b>	<u>2,779,411</u>
<b>Total Pension Liability - Beginning</b>	<u>26,122,545</u>
<b>Total Pension Liability - Ending (A)</b>	\$ 28,901,956
<b>Plan Fiduciary Net Position</b>	
Contributions - Employer	\$ 670,876
Contributions - Employees	310,710
Net Investment Income	1,674,448
Benefit Payments, including Refunds of Employee Contributions	(1,335,128)
Other (Net Transfer)	<u>(84,827)</u>
<b>Net Change in Plan Fiduciary Net Position</b>	1,236,079
<b>Plan Fiduciary Net Position - Beginning</b>	<u>27,626,737</u>
<b>Plan Fiduciary Net Position - Ending (B)</b>	\$ 28,862,816
<b>Net Pension Liability - Ending (A) - (B)</b>	\$ 39,140
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	99.86%
<b>Covered Valuation Payroll</b>	\$ 6,910,358
<b>Net Pension Liability as a Percentage of Covered Valuation Payroll</b>	0.57%

**Notes to Schedule:**

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

## SPRINGFIELD MASS TRANSIT DISTRICT

### DEFINED BENEFIT PENSION PLAN – REQUIRED SUPPLEMENTARY INFORMATION UNAUDITED (cont.)

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#### Schedule of Employer Contributions For the Year Ended December 31, 2014

<u>Calendar Year Ended December 31,</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Valuation Payroll</u>	<u>Actual Contribution as a Percentage of Covered Valuation Payroll</u>
2014	\$ 664,085	\$ 670,876	\$ (6,791)	\$ 6,910,358	9.71%

See accompanying independent auditors' report.

# SPRINGFIELD MASS TRANSIT DISTRICT

## NOTES TO SCHEDULE

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### **Summary of Actuarial Methods and Assumptions Used in the Calculation of the 2014 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 2014 Contribution Rates:**

<i>Actuarial Cost Method:</i>	Aggregate entry age = normal
<i>Amortization Method:</i>	Level percentage of payroll, closed
<i>Remaining Amortization Period:</i>	29-year closed period
<i>Asset Valuation Method:</i>	5-year smoothed market; 20% corridor
<i>Wage Growth:</i>	4%
<i>Price Inflation:</i>	3%, approximate; No explicit price inflation assumption is used in this valuation.
<i>Salary Increases:</i>	4.40% to 16%, including inflation
<i>Investment Rate of Return:</i>	7.50%
<i>Retirement Age:</i>	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.
<i>Mortality:</i>	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% 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, 2012, actuarial valuation; note two year lag between valuation and rate setting.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

## SPRINGFIELD MASS TRANSIT DISTRICT

### DEFINED PENSION BENEFIT PLAN – REQUIRED SUPPLEMENTARY INFORMATION – PRE GASB 68 UNAUDITED

Schedule of Funding Progress:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll [(b- a)/(c)]
12/31/11	\$ 9,275,173	\$ 12,643,835	\$ 3,368,662	73.36%	\$ 6,256,737	53.84%
12/31/12	9,352,167	11,849,303	2,497,136	78.93%	6,378,126	39.15%
12/31/13	11,668,602	12,595,668	927,066	92.64%	6,607,231	14.03%

On a market value basis, the actuarial value of assets as of December 31, 2013 is \$14,321,092. On a market basis, the funded ratio would be 113.70%.

The actuarial value of assets and accrued liability cover active and inactive members who have service credit with the District. They do not include amounts for retirees. The actuarial accrued liability for retirees is 100% funded.

Schedule of Employer Contributions:

Year Ended	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
6/30/12	\$ 668,678	\$ 668,678	100.00%
6/30/13	1,210,039	710,039	170.42%
6/30/14	1,222,810	725,879	168.46%



## SPRINGFIELD MASS TRANSIT DISTRICT

### OTHER POST-EMPLOYMENT BENEFIT PLAN - REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll [(b- a)/(c)]
07/01/09	\$ -	\$ 13,347,224	\$ 13,347,224	0.00%	\$ 5,523,980	241.62%
06/30/11	-	8,649,161	8,649,161	0.00%	5,811,066	148.84%
06/30/13	-	10,518,112	10,518,112	0.00%	6,007,052	175.10%
06/30/13 *	2,780,552	10,518,112	7,737,560	26.44%	6,007,052	128.80%

The District implemented GASB Statement No. 45 for the fiscal year ended June 30, 2010.

While the Board had designated certain investments for the payment of future OPEB costs, because these resources were not part of a segregated OPEB trust prior to fiscal year ended June 30, 2015, they cannot be treated as plan assets for actuarial purposes.

\*The District established a segregated OPEB Trust during fiscal year 2015. Therefore, the funds can now be treated as plan assets for actuarial purposes. However, a full actuarial valuation will not be completed until fiscal year 2016 with a valuation date of 6/30/15.

Schedule of Employer Contributions:

Fiscal Year Ended	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
2013	\$ 279,494	\$ 747,062	37.41%
2014	303,891	906,537	33.52%
2015	3,091,629	906,537	341.04%

Note: Between July 1, 2009 and June 30, 2011, actuarial valuations than plan requirements were amended to increase both the retirement age and the years of service for eligibility resulting in a decrease in the actuarial accrued liability.

The amortization period for the unfunded actuarial accrued liability was decreased from 30 to 20 years beginning in fiscal year 2013.

**SUPPLEMENTAL INFORMATION**

**SPRINGFIELD MASS TRANSIT DISTRICT**

SCHEDULE OF FIXED ROUTE OPERATING EXPENSES BEFORE DEPRECIATION  
For the Year Ended June 30, 2015

	Vehicle Operations	Vehicle Maintenance	Non-Vehicle Maintenance	General Administration	Total 2015	Total 2014
<b>LABOR</b>						
Operator's salaries and wages	\$ 3,505,296	\$ -	\$ -	\$ -	\$ 3,505,296	\$ 3,368,164
Other salaries and wages	448,972	990,110	-	507,726	1,946,808	1,879,458
<b>FRINGE BENEFITS</b>	2,270,249	836,495	-	757,212	3,863,956	3,471,173
<b>SERVICES</b>						
Advertising fees	-	-	-	18,855	18,855	17,784
Professional technical services	-	-	-	365,381	365,381	254,744
Contract maintenance service	-	-	85,170	-	85,170	98,804
Custodial services	-	-	-	30,725	30,725	30,095
Security services	-	-	-	136,808	136,808	129,148
Other services	-	-	-	201,153	201,153	146,074
<b>MATERIAL AND SUPPLIES CONSUMED</b>						
Fuel and lubricants	515,784	-	-	-	515,784	764,386
Tires and tubes	87,564	-	-	-	87,564	84,360
Other materials and supplies	-	653,841	166,723	109,270	929,834	1,081,047
<b>UTILITIES</b>	-	-	-	224,721	224,721	210,445
<b>CASUAL AND LIABILITY COSTS</b>						
Premiums for excess liability coverage	31,018	180,776	-	4,264	216,058	180,442
Premiums for physical damage insurance	-	20,057	48,677	-	68,734	82,374
Recoveries of physical damage losses	-	(1,569)	-	-	(1,569)	(1,515)
Premiums for other corporate insurance	-	-	-	24,052	24,052	20,003
Uninsured losses, net of recoveries	-	-	-	163,881	163,881	(8,190)
<b>LICENSES AND TAXES</b>	-	-	-	-	-	-
Vehicle licensing and registration fees	-	-	-	14,103	14,103	2,195
<b>MISCELLANEOUS EXPENSES</b>						
Travel and meetings	-	-	-	32,197	32,197	22,602
Dues and subscriptions	-	-	-	60,739	60,739	55,926
Other	-	-	-	44,450	44,450	44,393
<b>LEASE EXPENSE</b>	-	-	-	4,749	4,749	5,666
<b>TOTALS</b>	<u>\$ 6,858,883</u>	<u>\$ 2,679,710</u>	<u>\$ 300,570</u>	<u>\$ 2,700,286</u>	<u>\$ 12,539,449</u>	<u>\$ 11,939,578</u>

This schedule does not include University of Illinois at Springfield (UIS) service or the Route 19 service operating expenses. The programs were fully funded by Federal Operating Grants IL-90-X651-00 and IL-90-X691-00, respectively.

**SPRINGFIELD MASS TRANSIT DISTRICT**

SCHEDULE OF PARATRANSIT OPERATING EXPENSES BEFORE DEPRECIATION  
For the Year Ended June 30, 2015

	Vehicle Operations	Vehicle Maintenance	Non-Vehicle Maintenance	General Administration	Total 2015	Total 2014
<b>LABOR</b>						
Operator's salaries and wages	\$ 538,525	\$ -	\$ -	\$ -	\$ 538,525	\$ 467,673
Other salaries and wages	150,317	41,075	-	64,874	256,266	224,076
<b>FRINGE BENEFITS</b>	238,497	17,359	-	42,493	298,349	315,478
<b>SERVICES</b>						
Advertising fees	-	-	-	1,934	1,934	2,135
Professional technical services	-	-	-	25,852	25,852	16,248
Contract maintenance service	-	-	9,776	-	9,776	11,180
Custodial services	-	-	2,303	-	2,303	2,266
Security services	-	-	-	-	-	-
Other services	-	-	-	20,132	20,132	4,819
<b>MATERIAL AND SUPPLIES CONSUMED</b>						
Fuel and lubricants	146,940	-	-	-	146,940	169,973
Tires and tubes	10,304	-	-	-	10,304	11,326
Other materials and supplies	-	69,509	3,115	4,590	77,214	70,265
<b>UTILITIES</b>	-	-	-	34,996	34,996	32,457
<b>CASUAL AND LIABILITY COSTS</b>						
Premiums for excess liability coverage	3,576	19,168	-	1,513	24,257	20,256
Premiums for physical damage insurance	-	2,229	-	5,409	7,638	9,153
Recoveries of physical damage losses	-	-	-	-	-	-
Premiums for other corporate insurance	-	-	-	-	-	-
Uninsured losses, net	-	-	-	38,828	38,828	44,448
<b>LICENSES AND TAXES</b>						
Vehicle licensing and registration fees	310	-	-	-	310	-
<b>MISCELLANEOUS EXPENSES</b>						
Travel and meetings	-	-	-	5,002	5,002	2,514
Dues and subscriptions	-	-	-	8,680	8,680	8,275
Other	-	-	-	792	792	1,590
<b>LEASE EXPENSE</b>	-	-	-	1,752	1,752	2,381
<b>TOTALS</b>	<b>\$ 1,088,469</b>	<b>\$ 149,340</b>	<b>\$ 15,194</b>	<b>\$ 256,847</b>	<b>\$ 1,509,850</b>	<b>\$ 1,416,513</b>

This schedule does not include University of Illinois at Springfield (UIS) service or the Route 19 service operating expenses. The programs were fully funded by Federal Operating Grants IL-90-X651-00 and IL-90-X691-00, respectively.

**SPRINGFIELD MASS TRANSIT DISTRICT**

SCHEDULE OF UIS OPERATING EXPENSES BEFORE DEPRECIATION  
For the Year Ended June 30, 2015

	<u>Vehicle Operations</u>	<u>Vehicle Maintenance</u>	<u>Non-Vehicle Maintenance</u>	<u>General Administration</u>	<u>Total 2015</u>	<u>Total 2014</u>
<b>LABOR</b>						
Operator's salaries and wages	\$ 32,956	\$ -	\$ -	\$ -	\$ 32,956	\$ 36,023
Other salaries and wages	-	-	-	-	-	-
<b>FRINGE BENEFITS</b>	6,287	-	-	-	6,287	7,309
<b>SERVICES</b>						
Advertising fees	-	-	-	-	-	-
Professional technical services	-	-	-	-	-	-
Contract maintenance service	-	-	-	-	-	-
Custodial services	-	-	-	-	-	-
Security services	-	-	-	-	-	-
Other services	-	-	-	-	-	-
<b>MATERIAL AND SUPPLIES CONSUMED</b>						
Fuel and lubricants	8,278	-	-	-	8,278	14,059
Tires and tubes	1,521	-	-	-	1,521	1,338
Other materials and supplies	-	12,123	-	-	12,123	9,025
<b>UTILITIES</b>	-	-	-	-	-	-
<b>CASUAL AND LIABILITY COSTS</b>						
Premiums for excess liability coverage	-	-	-	-	-	-
Premiums for physical damage insurance	-	-	-	-	-	-
Recoveries of physical damage losses	-	-	-	-	-	-
Premiums for other corporate insurance	-	-	-	-	-	-
Uninsured losses, net	-	-	-	-	-	-
<b>LICENSES AND TAXES</b>						
Vehicle licensing and registration fees	-	-	-	-	-	-
<b>MISCELLANEOUS EXPENSES</b>						
Travel and meetings	-	-	-	-	-	-
Dues and subscriptions	-	-	-	-	-	-
Other	-	-	-	-	-	-
<b>LEASE EXPENSE</b>	-	-	-	-	-	-
<b>TOTALS</b>	<u>\$ 49,042</u>	<u>\$ 12,123</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,165</u>	<u>\$ 67,754</u>

**SPRINGFIELD MASS TRANSIT DISTRICT**

SCHEDULE OF ROUTE 19 EXPENSES BEFORE DEPRECIATION  
For the Year Ended June 30, 2015

	<u>Vehicle Operations</u>	<u>Vehicle Maintenance</u>	<u>Non-Vehicle Maintenance</u>	<u>General Administration</u>	<u>Total 2015</u>	<u>Total 2014</u>
<b>LABOR</b>						
Operator's salaries and wages	\$ 70,712	\$ -	\$ -	\$ -	\$ 70,712	\$ 83,759
Other salaries and wages	-	-	-	-	-	-
<b>FRINGE BENEFITS</b>	13,520	-	-	-	13,520	17,002
<b>SERVICES</b>						
Advertising fees	-	-	-	-	-	-
Professional technical services	-	-	-	-	-	-
Contract maintenance service	-	-	-	-	-	-
Custodial services	-	-	-	-	-	-
Security services	-	-	-	-	-	-
Other services	-	-	-	-	-	-
<b>MATERIAL AND SUPPLIES CONSUMED</b>						
Fuel and lubricants	10,841	-	-	-	10,841	16,999
Tires and tubes	1,629	-	-	-	1,629	1,810
Other materials and supplies	-	9,400	-	-	9,400	14,174
<b>UTILITIES</b>	-	-	-	-	-	-
<b>CASUAL AND LIABILITY COSTS</b>						
Premiums for excess liability coverage	-	-	-	-	-	-
Premiums for physical damage insurance	-	-	-	-	-	-
Recoveries of physical damage losses	-	-	-	-	-	-
Premiums for other corporate insurance	-	-	-	-	-	-
Uninsured losses, net	-	-	-	-	-	-
<b>LICENSES AND TAXES</b>						
Vehicle licensing and registration fees	-	-	-	-	-	-
<b>MISCELLANEOUS EXPENSES</b>						
Travel and meetings	-	-	-	-	-	-
Dues and subscriptions	-	-	-	-	-	-
Other	-	-	-	-	-	-
<b>LEASE EXPENSE</b>	-	-	-	-	-	-
<b>TOTALS</b>	<u>\$ 96,702</u>	<u>\$ 9,400</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 106,102</u>	<u>\$ 133,744</u>

# SPRINGFIELD MASS TRANSIT DISTRICT

## COMPUTATION OF FEDERAL OPERATING ASSISTANCE For the Year Ended June 30, 2015

Projects IL-90-X728 and IL-90-X656 (Operating)	Actual Project Cost
Total Operating Expenses (excluding depreciation)	
Salaries and labor	\$ 6,350,563
Benefits	4,182,112
Services	898,089
Materials and supplies	1,811,432
Utilities	259,717
Casualty and liability insurance and losses	541,879
Taxes and licenses	14,413
Leases and rentals	6,501
Miscellaneous	<u>151,860</u>
Total	<u>14,216,566</u>
Adjustments and Eliminations	
UIS operating expenses	61,165
Route 19 operating expenses	106,102
Q5 and federally funded equipment	68,147
Other income	6,596
Trustees' fees	29,600
Planning costs	<u>33,534</u>
Total	<u>305,144</u>
Net Eligible Expenses	13,911,422
Less: Passenger revenues	1,298,479
Interest on invested working capital	40,346
Interest on property taxes	<u>31</u>
Total	<u>1,338,856</u>
NET PROJECT COST	<u><u>\$ 12,572,566</u></u>
Local Share	
State operating assistance	\$ 9,089,053
Local property taxes	2,568,549
Advertising revenues	<u>105,867</u>
TOTAL	<u>\$ 11,763,469</u>
Federal Assistance Limitation (lesser of)	
50% of net project cost	<u>\$ 6,286,283</u>
Local share	<u>\$ 11,763,469</u>
Grant award IL-90-X744	\$ 1,105,188
Grant award IL-90-X656	<u>34,914</u>
Total Grant Awards	<u>1,140,102</u>
BALANCE DUE FROM (TO) FEDERAL TRANSIT ADMINISTRATION	<u>\$ 1,140,102</u>

**REPORT ON FEDERAL AWARDS**



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*

Independent Auditors' Report

To the Board of Trustees  
Springfield Mass Transit District  
Springfield, Illinois

We have audited, 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, the financial statements of the Springfield Mass Transit District as of and for the year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise the Springfield Mass Transit District's basic financial statements, and have issued our report thereon dated November 20, 2015.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Springfield Mass Transit 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 Springfield Mass Transit District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Springfield Mass Transit District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness. This material weakness is item 2015-001.

To the Board of Trustees  
Springfield Mass Transit District

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Springfield Mass Transit District's financial statements are free from 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 Auditing Standards*.

We noted certain matters that we reported to management of the District in a separate letter dated November 20, 2015.

***Springfield Mass Transit District's Response to Findings***

The Springfield Mass Transit District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Springfield Mass Transit District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

*Baker Tilly Virchow Krause, LLP*

Madison, Wisconsin  
November 20, 2015

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE;  
REQUIRED BY OMB CIRCULAR A-133

Independent Auditors' Report

To the Board of Trustees  
Springfield Mass Transit District  
Springfield, Illinois

***Report on Compliance for the Major Federal Program***

We have audited the Springfield Mass Transit District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on Springfield Mass Transit District's major federal program for the year ended June 30, 2015. The Springfield Mass Transit District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the Springfield Mass Transit 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Springfield Mass Transit 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 Springfield Mass Transit District's compliance.

To the Board of Trustees  
Springfield Mass Transit District

***Opinion on the Major Federal Program***

In our opinion, the Springfield Mass Transit 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 June 30, 2015.

***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2015-02. Our opinion on the major federal program is not modified with respect to this matter.

***Report on Internal Control Over Compliance***

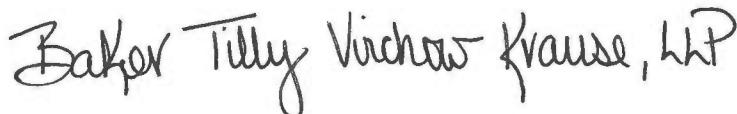
Management of the Springfield Mass Transit District is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit of compliance, we considered the Springfield Mass Transit District's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Springfield Mass Transit 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 a 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. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency. This significant deficiency is item 2015-002.

Our consideration of 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified.

***Purpose of this Report***

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Madison, Wisconsin  
November 20, 2015

**SPRINGFIELD MASS TRANSIT DISTRICT**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2015

<u>Federal Agency/Pass-Through Agency/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Local Agency Contract Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Transportation</b>			
Direct Program:			
Federal Transit Formula Grants	20.507	IL-90-X744-00	\$ 1,105,188
Federal Transit Formula Grants	20.507	IL-90-X656-00	34,914
Federal Transit Formula Grants	20.507	IL-90-X651-00	61,166
Federal Transit Formula Grants	20.507	IL-90-X673-00	8,306
Federal Transit Formula Grants	20.507	IL-90-X712-00	749,052
Federal Transit Formula Grants	20.507	IL-90-X636-00	169,745
Federal Transit Formula Grants	20.507	IL-90-X728-00	<u>47,925</u>
Total Federal Transit Formula Grants			2,176,296
Federal Transit Capital Investment Grants	20.500	IL-58-0002-00	986,136
Federal Transit Capital Investment Grants	20.500	IL-04-0075-00	18,477
Federal Transit Capital Investment Grants	20.500	IL-04-X013-00	<u>8,831</u>
Total Federal Transit Capital Investment Grants			1,013,444
Total Federal Transit Cluster			3,189,740
Job Access Reverse Commute	20.516	IL-90-X691-00	105,842
Passed through IDOT:			
Enhanced Mobility of Seniors & Individuals with Disabilities	20.513	IL-16-X004 *	87,096
Enhanced Mobility of Seniors & Individuals with Disabilities	20.513	IL-16-X005 *	<u>87,096</u>
Total Enhanced Mobility of Seniors & Individuals with Disabilities			174,192
Technical Planning Studies	20.505	IL-80-0006-00	<u>11,460</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 3,481,234</u>

\*Noncash awards

See accompanying notes to schedule of expenditures of federal awards.

# SPRINGFIELD MASS TRANSIT DISTRICT

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended June 30, 2015

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### NOTE 1 – REPORTING ENTITY

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This report on Federal Awards includes the federal awards of the Springfield Mass Transit District. The reporting entity for the Springfield Mass Transit District is based upon criteria established by the Governmental Accounting Standards Board.

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### NOTE 2 – BASIS OF PRESENTATION

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The accounting records of the District's grant programs are maintained on the accrual basis of accounting. Expenditures are recorded when the liability is incurred and revenues are recorded as earned.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*.

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### NOTE 3 – DESCRIPTION OF MAJOR PROGRAMS

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There was one major program for the year ended June 30, 2015. As part of the Federal Transit Cluster, the Federal Transit Capital Investment Grants (CFDA #20.500), the Federal Transit Formula Grants (CFDA #20.507) were awarded by the Federal Transit Administration – U.S. Department of Transportation to the Springfield Mass Transit District for the purpose of financing capital projects and supporting public transportation services in urbanized areas.

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### NOTE 4 – RECONCILIATION TO THE FINANCIAL STATEMENTS

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The Federal aid is included in the statement of revenues, expenses, and changes in net position as follows:

Operating assistance	\$	1,140,102
UIS and Route 19 operating assistance		167,010
Capital assistance for operating items		25,944
Capital assistance - Federal		<u>2,148,178</u>
	\$	<u>3,481,234</u>

# SPRINGFIELD MASS TRANSIT DISTRICT

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended June 30, 2015

### SECTION I – SUMMARY OF AUDITORS’ RESULTS

#### **FINANCIAL STATEMENTS**

Type of auditors’ report issued: unmodified

Internal control over financial reporting:

- > Material weakness(es) identified?                      X   yes                           no
- > Significant deficiencies identified that are not  
considered to be material weaknesses?                           yes                      X   none reported

Noncompliance material to financial statements  
noted?                           yes                      X   no

#### **FEDERAL AWARDS**

Internal control over major programs:

- > Material weakness(es) identified?                           yes                      X   no
- > Significant deficiencies identified that are not  
considered to be material weakness(es)?                      X   yes                           none reported

Type of auditor’s report issued on compliance for major programs: unmodified

Any audit findings disclosed that are required to  
be reported in accordance with section 510(a) of  
Circular A-133?                      X   yes                           no

Auditee qualified as low-risk auditee?                           yes                      X   no

Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.500	Federal Transit Cluster
20.507	Federal Transit Capital Investment Grants
	Federal Transit Formula Grants
	<u>      Federal      </u>

Dollar threshold used to distinguish between  
type A and type B programs:                          \$300,000

# SPRINGFIELD MASS TRANSIT DISTRICT

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended June 30, 2015

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### SECTION II – FINANCIAL STATEMENT FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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#### ***FINDING 2015-001: CONTROLS OVER FINANCIAL REPORTING***

**Criteria:** Statement on Auditing Standards (SAS) No. 115 requires auditors to report a material weakness if the District has material adjusting journal entries.

**Condition:** The auditors proposed and made material adjusting journal entries related to the following: implementation of GASB Statement No. 68 related to pensions, establishment of the OPEB trust fund, and the capitalization of the CNG station and bus vacuum capital projects.

**Cause:** The District chose to contract with the auditors to prepare entries for unique transactions that occurred during the year related to GASB Statement No. 68 and the establishment of the OPEB trust fund.

Related to the capital projects, it is our understanding the projects were not capitalized as final invoices had not been received.

**Effect:** The District's financial records were materially misstated before the annual audit was completed.

**Recommendation:** We recommend the District consider the need to research unique transactions prior to year end to ensure financial records are materially correct prior to the annual audit. As a practical matter, it may be more feasible for the District to consult with auditors regarding unique transactions.

We recommend District management review the status of projects included in construction work in progress on at least a quarterly basis to determine if projects should be capitalized and the related depreciation recorded.

**Management's Response and Corrective Action:** We will consult with auditors throughout the year concerning non-standard transactions to ensure that the accounting treatment has been accurately reflected in the financial statements prior to year-end.



## SPRINGFIELD MASS TRANSIT DISTRICT

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended June 30, 2015

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#### SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

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**FINDING 2015-002: 20.500/20.507 – FEDERAL TRANSIT CLUSTER**  
**FEDERAL GRANTOR: U.S. DEPARTMENT OF TRANSPORTATION**

**Criteria:** According to the Code of Federal Regulations (CFR) Title 29, Section 5.5(a).(3)(ii), a contractor shall submit weekly for each week in which any contract work is performed a copy of all payrolls to the applicant for submission to the applicable federal agency.

**Condition/Context:** It was noted during Davis Bacon testing that the certified payrolls were not collected from the contractor/subcontractors on a weekly basis for the ADA Pads contract. There were only two certified payrolls submitted, one covering the time period 2/3/15 – 7/7/15 and one for the pay period 9/1/16.

**Cause:** The District does not have a policy in place to collect certified payrolls on a weekly basis. They review the payrolls when they are submitted, which for smaller projects is upon project completion. For the larger projects, they do collect certified payrolls on a weekly basis.

**Effect:** The District does not have adequate controls over monitoring Davis Bacon compliance and was unable to verify its contractors were following the Davis Bacon Act throughout the contract.

**Questioned Costs:** None noted.

**Recommendation:** The District should implement a control to monitor contractor compliance with Davis Bacon throughout the project and collect certified payrolls on a weekly basis.

**Management Response and Corrective Action:** The District will implement a policy that requires collection of certified payrolls on a weekly basis for each week in which contract work is performed. Certified payrolls will be date stamped as received.

## SPRINGFIELD MASS TRANSIT DISTRICT

### SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS For the Year Ended June 30, 2015

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**FINDING 2014-001: DOCUMENTATION OF TIMECARD APPROVAL  
CFDA NUMBER 20.507 FEDERAL TRANSIT FORMULA GRANTS**

**Criteria:** Attachment B, Section 8(h) of OMB Circular A-87 states that charges to Federal awards for salaries and wages should be documented in accordance with generally accepted practice of the governmental unit receiving Federal assistance and "approved by a responsible official(s) of the governmental unit."

**Condition:** During testing of controls surrounding payroll, it was noted that five of the 32 employee timesheets selected for testing were not properly approved by a supervisor. Two of these timecards were for the Director of Administrations and should have been reviewed and approved by the Managing Director. One timecard was for the Superintendent of Access and should have been reviewed and approved by the Director of Operations. Two timecards were for the Managing Director and should have been reviewed and approved by a board member or some other responsible official as deemed appropriate by the District.

**Cause:** The cause of the unapproved timecards appears to be inconsistent treatment of approving salaried employees' time versus hourly employee's timecards.

**Effect:** As certain employee timecards are not being reviewed and approved, there is the potential for incorrect time to be charged to the Federal award.

**Questioned Costs:** The costs charged to the Federal award were properly supported by timecards; however, the timecards were simply not approved. Therefore, there are no associated questioned costs that were identified.

**Recommendation:** We recommend the District review their policy surrounding the review of management timecards and ensure all time is reviewed by someone other than the employee.

**Management's Status:** The District has updated payroll procedures and implemented the use of a time card checklist in order to document the authorization and approval of timecards.

# SPRINGFIELD MASS TRANSIT DISTRICT

CORRECTIVE ACTION PLAN  
For the Year Ended June 30, 2015

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***FINDING 2015-001: CONTROLS OVER FINANCIAL REPORTING***

See “management response” for finding 2015-001 in Section II – Financial Statement Findings Required to be Reported in Accordance with *Government Auditing Standards*.

***FINDING 2015-002: 20.500/20.507 – FEDERAL TRANSIT CLUSTER***

See “management response” for finding 2015-002 in Section III – Federal Awards Findings and Questioned Costs.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS  
APPLICABLE TO THE FINANCIAL ASSISTANCE RECEIVED FROM THE  
ILLINOIS DEPARTMENT OF TRANSPORTATION

To the Board of Trustees  
Springfield Mass Transit District  
Springfield, Illinois

***Report on Compliance***

We have audited the Springfield Mass Transit District's compliance with the applicable provisions of the Downstate Public Transportation Act (as amended) 30 ILCS 740/2, the Civil Administrative Code of Illinois, 20 ILCS 2705/49.19, and the rules and regulations of the Illinois Department of Transportation that are applicable to the financial assistance for the year ended June 30, 2015. We also tested the calculation of the State's participation in the District's operating deficit and that State assistance claimed and paid are recorded and reported in accordance with the contract with the State of Illinois.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to the financial assistance received from the Illinois Department of Transportation.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance of the Springfield Mass Transit District 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 provisions of the "Downstate Operating Assistance Grant Program Agreement" with the Department of Transportation, State of Illinois. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of financial assistance occurred. An audit includes examining, on a test basis, evidence about the Springfield Mass Transit 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 with laws and regulations applicable to the financial assistance received from the Illinois Department of Transportation. However, our audit does not provide a legal determination of the Springfield Mass Transit District's compliance.

To the Board of Trustees  
Springfield Mass Transit District

***Opinion on State Program***

In our opinion, the Springfield Mass Transit District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state financial assistance received for the year ended June 30, 2015.

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing based on requirements of Downstate Public Transportation Act (as amended) 30 ILCS 740/2, the Civil Administrative Code of Illinois, 20 ILCS 2705/49.19, and the rules and regulations of the Illinois Department of Transportation. Accordingly, this report is not suitable for any other purpose

*Baker Tilly Virchow Krause, LLP*

Madison, Wisconsin  
November 20, 2015

## SPRINGFIELD MASS TRANSIT DISTRICT

### SCHEDULE OF REVENUE AND EXPENSE UNDER DOWNSTATE OPERATING ASSISTANCE GRANT OP-15-05-IL For the Year Ended June 30, 2015

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#### OPERATING REVENUES AND INCOME

401	Passenger fares for transit services	\$ 1,098,717
402	Special transit fares	199,762
406	Auxiliary revenue	105,867
407	Non-transportation revenue	46,973
413	Federal cash grants and reimbursement	<u>1,307,112</u>

Total Operating Revenues \$ 2,758,431

#### OPERATING EXPENSES

501	Labor	\$ 7,029,158
502	Fringe benefits	3,436,061
503	Professional services	895,233
504	Materials and supplies consumed (includes \$21,527 of locally funded capitalized items < \$10,000)	1,825,687
505	Utilities	259,717
506	Casualty and liability	540,682
507	Taxes	14,413
508	Net purchased transportation	80,797
509	Miscellaneous expense	149,844
512	Leases, rentals, and purchase-lease payments	<u>6,501</u>

Total Operating Expenses 14,238,093

#### Ineligible Expenses

APTA and IPTA dues	3,877
Other (JARC funded routes)	167,010
Other (Single Audit)	15,900
Other (Federally Funded Projects)	30,659
Other (Q5, misc., etc.)	<u>37,488</u>

Less: Total ineligible expenses 254,934

Total Eligible Operating Expenses 13,983,159

Total Operating Revenue and Income 2,758,431

Deficit \$ 11,224,728

65% of Eligible Expenses \$ 9,089,053

Maximum Contract Amount \$ 14,212,653

Eligible FY15 Downstate Operating Assistance (Deficit, 65% of eligible  
expenses, or maximum contract amount, whichever is less) \$ 9,089,053

FY15 Downstate Operating Assistance Received  
(prior to close of fiscal year) \$ 9,182,804

FY15 Downstate Operating Assistance Receivable/(Payable) \$ (93,751)  
(at close of fiscal year and subsequently received/(paid))