

**SPRINGFIELD MASS TRANSIT DISTRICT**  
**OPERATING AS SANGAMON MASS TRANSIT DISTRICT**  
Springfield, Illinois

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Years Ended June 30, 2019 and 2018

# 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 the proprietary and fiduciary funds of the Springfield Mass Transit District, as of and for the years ended June 30, 2019 and 2018, 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 opinions 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 opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the proprietary and fiduciary funds of the Springfield Mass Transit District as of June 30, 2019 and 2018, 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.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the required supplementary information 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 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. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is 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 as identified are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have issued our report dated December 23, 2019 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Springfield Mass Transit District 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  
December 23, 2019

## **SPRINGFIELD MASS TRANSIT DISTRICT**

### **MANAGEMENT DISCUSSION AND ANALYSIS As of and for the Years Ended June 30, 2019 and 2018**

#### **OVERVIEW OF DISTRICT OPERATIONS**

The Springfield Mass Transit District (District) provides fixed-route bus transportation throughout the greater Springfield area. Daytime service is provided on 16 routes Monday through Saturday. Buses are wheelchair lift equipped. Four routes operate in night service Monday through Friday.

The District 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. 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.

#### **DISTRICT FINANCIAL AND OPERATIONAL HIGHLIGHTS**

The financial statements of the District are presented on a proprietary fund basis. Accounting principles used are similar to principles applicable in the private sector. The District's annual report consists of the Statements of Net Position; the Statements of Revenue, Expenses and Changes in Net Position; and the Statements of Cash Flows. These statements are the measures used to evaluate the short-term and long-term outlook of the 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.

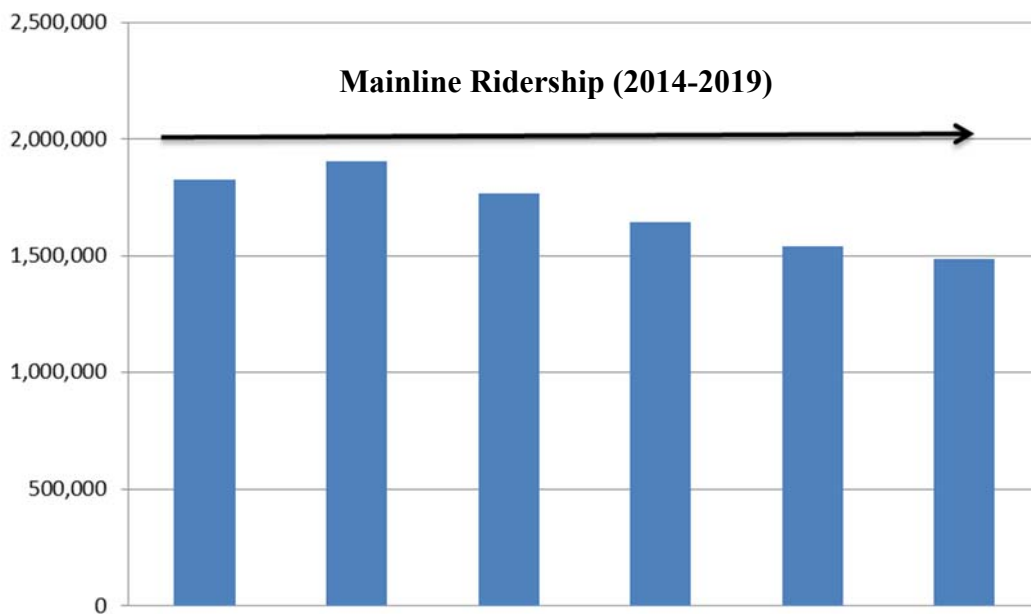
In addition, the District reports the OPEB trust fund as a fiduciary fund. This fund was established June 1, 2015 and is used to account for and report resources that are held in trust for the members and beneficiaries of the Districts other post-employment benefit plan.

# SPRINGFIELD MASS TRANSIT DISTRICT

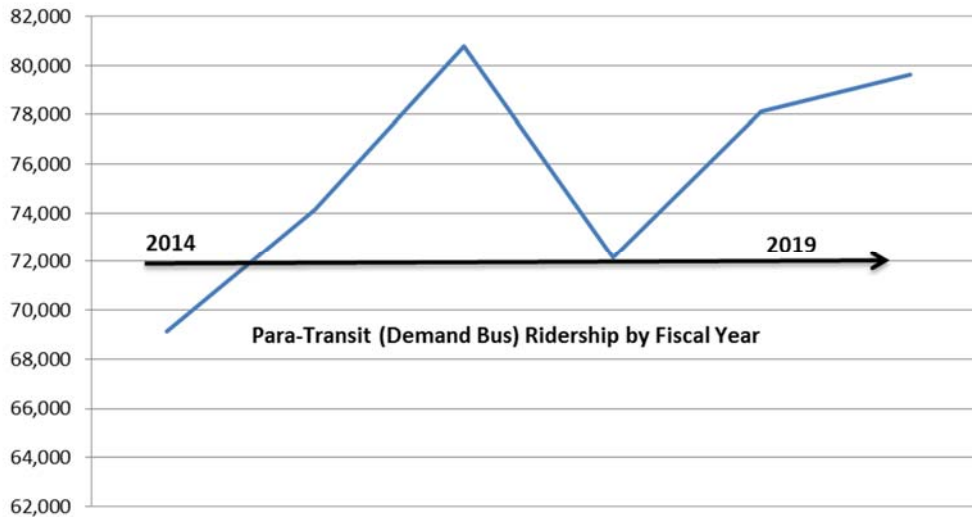
## MANAGEMENT DISCUSSION AND ANALYSIS As of and for the Years Ended June 30, 2019 and 2018

The District ended FY 2019 with a total mainline ridership of 1,487,090. This is a decline from FY 2018 of 57,641 rides or a decline of 3.73%. The five-year rolling year over year change has been an average annual reduction in ridership of 4% annually, or, 19.7% loss of ridership since Fiscal Year 2014. The District has seen a steady decline over the last four years. Lower fuel costs and rider sharing services such as Uber and Lyft are reasons for this nationwide trend. Chart 1 shows yearly mainline ridership for the past six years.

**Chart 1**



Paratransit service is holding steady. The District has numerous service contracts with local non-profit agencies. These contracts provide a benefit to the organizations for the transportation needs of disabled participants. Access ridership is summarized in Chart 2.



Please see the accompanying independent auditors report

## SPRINGFIELD MASS TRANSIT DISTRICT

### MANAGEMENT DISCUSSION AND ANALYSIS As of and for the Years Ended June 30, 2019 and 2018

#### **FINANCIAL ANALYSIS OF PROPRIETARY FUND**

The Statements of Net Position include assets, deferred outflows, liabilities and deferred inflows of the District. The difference between assets and liabilities as reflected on the Statements of Net Position represents the financial position of the District and provides information about the entity's liquidity and financial flexibility.

A three-year summary of the District's Net Position is presented below (Table 1).

**Table 1**  
**Condensed Statements of Net Position**

	<u>FY2019</u>	<u>FY2018</u>	<u>FY2017</u>
Current and other assets	\$ 9,343,524	\$ 10,305,817	\$ 9,883,572
Non-Current assets	681,770	3,895,076	1,146,895
Capital assets	<u>31,558,717</u>	<u>31,997,195</u>	<u>23,773,990</u>
Total assets	<u>41,584,011</u>	<u>46,198,088</u>	<u>34,804,457</u>
Deferred outflows of resources	<u>5,761,987</u>	<u>1,518,872</u>	<u>2,723,674</u>
Current and other liabilities	1,891,750	3,366,556	2,394,640
Noncurrent liabilities	<u>11,997,222</u>	<u>9,048,654</u>	<u>1,364,309</u>
Total liabilities	<u>13,888,972</u>	<u>12,415,210</u>	<u>3,758,949</u>
Deferred inflows of resources	<u>961,711</u>	<u>2,921,458</u>	<u>435,725</u>
Net Position			
Net investment in capital assets	31,558,717	31,997,195	23,773,990
Restricted for pensions	-	2,755,247	-
Unrestricted	<u>936,598</u>	<u>(2,372,150)</u>	<u>9,559,467</u>
Total Net Position	<u>\$32,495,315</u>	<u>\$32,380,292</u>	<u>\$33,333,457</u>

#### **For the year ending June 30, 2019:**

- Capital assets decreased \$0.4 million (-1.4%) from \$31.9 million to \$31.5 million. Table 3 provides details of this change.
- Unrestricted Net Position used to finance the District operations increased \$3.3 million 139.58% from \$(2.3) million to \$0.9 million.
- The District's Net Position increased \$0.1 million (0.4%) from \$32.4 million to \$32.5 million.



## SPRINGFIELD MASS TRANSIT DISTRICT

### MANAGEMENT DISCUSSION AND ANALYSIS As of and for the Years Ended June 30, 2019 and 2018

#### **For the year ending June 30, 2018:**

- Capital assets increased \$8.2 million (34.6%) from \$23.8 million to \$32 million. Table 3 provides details of this change.
- Unrestricted Net Position used to finance the District operations decreased \$12 million (124.8%) from \$9.6 million to (\$2.4) million due to the first year GASB 75 implementation's adjustment.
- The District's Net Position decreased \$1 million (2.9%) from \$33.3 million to \$32.3 million.
- 

A summary of the District's Statements of Revenue, Expenses and Changes in Net Position is presented in Table 2-A. A more detailed review of Revenue and Expenses is presented in Table 2-B.

**Table 2-A**  
**Condensed Statements of Revenue, Expenses and Changes in Net Position**

	<u>FY2019</u>	<u>FY2018</u>	<u>FY2017</u>
Operating Revenues	\$ 1,143,287	\$ 1,166,362	\$ 1,258,823
Non-Operating Revenues	<u>15,061,181</u>	<u>15,015,740</u>	<u>12,892,250</u>
<b>Total Revenues</b>	<u>16,204,468</u>	<u>16,182,102</u>	<u>14,151,073</u>
Operation and Maintenance Expenses	15,162,201	14,357,373	14,102,432
Depreciation	<u>2,802,598</u>	<u>1,932,087</u>	<u>1,912,937</u>
<b>Total Expenses</b>	<u>17,964,799</u>	<u>16,289,460</u>	<u>16,015,369</u>
<b>Net Income (Loss) Before Contributions</b>	(1,760,331)	(107,358)	(1,864,296)
Capital Contributions	<u>1,875,354</u>	<u>7,360,700</u>	<u>3,139,220</u>
<b>Change in Net Position</b>	115,023	7,253,342	1,274,924
Cumulative Effect of Change in Accounting Principle	-	(8,206,507)	-
Net Position – Beginning of Year	<u>32,380,292</u>	<u>33,333,457</u>	<u>32,058,533</u>
<b>Net Position - End of Year</b>	<u>\$32,495,315</u>	<u>\$32,380,292</u>	<u>\$ 33,333,457</u>

## SPRINGFIELD MASS TRANSIT DISTRICT

### MANAGEMENT DISCUSSION AND ANALYSIS As of and for the Years Ended June 30, 2019 and 2018

#### **For the year ending June 30, 2019:**

- Operating Revenue decreased \$23 thousand (-1.9%) from \$1.16 million to \$1.14 million.
- Non-Operating Revenue increased \$45 thousand (0.3%) from \$15.01 million to \$15.06 million.
- Capital Contributions decreased \$5.4 million as a result of state funds being used for bus purchases and related equipment.
- The \$115 thousand increase to net position is the result of the normal course of operations.
- The District was still able to maintain a favorable Net Position with a \$115 thousand (0.4%) increase.

#### **For the year ending June 30, 2018:**

- Operating Revenue decreased \$92 thousand (7.3%) from \$1.3 million to \$1.2 million.
- Non-Operating Revenue increased \$2.1 million (16.5%) from \$12.9 million to \$15 million.
- Capital Contributions increased \$4.2 million as a result of state funds being used for bus purchases. The funds were granted in FY 2014 but were put on hold until FY 2016 due to state fiscal crisis. The funds were drawn down in FY 2018.
- The \$8.2 million decrease to net position is due to the first year GASB 75 implementation for the adjustment of the District's total OPEB obligation.
- With the significant adjustment necessary for GASB 75, the District was still able to maintain a favorable Net Position with only a \$953 thousand (2.9%) decline.

**SPRINGFIELD MASS TRANSIT DISTRICT**

MANAGEMENT DISCUSSION AND ANALYSIS  
As of and for the Years Ended June 30, 2019 and 2018

**Table 2-B**  
**Detailed Revenue and Expenses**

	<u>FY2019</u>	<u>FY2018</u>	<u>FY2017</u>
Full Price Fares	\$ 922,435	\$ 956,154	\$ 1,026,492
Discounted Fares	75,753	86,095	118,741
Advertising	145,099	124,113	113,590
<b>Total Operating Revenues</b>	<u>1,143,287</u>	<u>1,166,362</u>	<u>1,258,823</u>
Local Taxes	2,758,867	2,678,733	2,647,086
State/Federal Operating Assistance	12,065,810	12,202,490	10,406,505
Investment Income	138,401	78,196	44,437
Other	98,103	56,321	(205,778)
<b>Total Non-Operating Revenues</b>	<u>15,061,181</u>	<u>15,015,740</u>	<u>12,892,250</u>
<b>Total Revenues</b>	<u>\$16,204,468</u>	<u>\$16,182,102</u>	<u>\$14,151,073</u>
Salaries	\$ 8,308,723	\$ 7,291,561	\$ 7,196,636
Fringe Benefits	2,949,256	3,313,008	3,349,366
Professional Services	679,149	517,315	627,118
Materials and Supplies	1,913,111	2,121,651	1,857,622
Casualty and Liability Insurance	667,958	646,830	671,969
Other	644,004	467,008	399,721
<b>Total Operation and Maintenance Expenses</b>	<u>\$15,162,201</u>	<u>\$14,357,373</u>	<u>\$14,102,432</u>

**Revenues:**

Approximately 87% of Operating Revenue comes from passenger fares. Fares declined \$44 thousand (4.2%) and \$103 thousand (9.0%) in FY 2019 and 2018, respectively.

Advertising increased \$10.5 thousand in FY 2018, and further increased \$20.9 thousand in 2019.

Local taxes increased \$80 thousand (2.99%) and \$32 thousand (1.2%) in FY 2018. The tax receipts grow based on the CPI from the previous year and additions to the economic base of the community.

Gain/Loss on Disposal of Fixed Assets is included in Other Non-Operating Revenue. There was a net loss on disposal of fixed assets in FY 2019 of \$438 thousand.

## SPRINGFIELD MASS TRANSIT DISTRICT

### MANAGEMENT DISCUSSION AND ANALYSIS As of and for the Years Ended June 30, 2019 and 2018

#### **Expenses:**

Salary/wage expense accounts for half of the District's total expenses. Salaries increased \$1.0M (13.9%) in FY 2019 compared to \$95-thousand (1.3%) in FY 2018. The FY19 increase compared to the FY18 change is attributable to expanded route selections.

Fringe Benefits decreased \$363 thousand (-10.9%) and \$552 thousand (-14.1%) in FY 2019 and 2018, respectively. There was a decrease in IMRF expense in FY 2018-19 from what was recorded in FY 2017. Health insurance held steady in FY 2019 with renewal rates coming in around 4%, well below market increases for small employers.

Professional Services waxes with environmental needs at the time; fluctuations are common from year to year due to claim activity. Services increased \$161 thousand (31.28%) in FY 2019. Claim management services are now fully outsourced and administered by PMA Cinch/Travelers.

Materials and Supplies decreased \$208 thousand (-9.8%). Bus Parts presented a significant decrease in carrying inventory due to the addition of new buses in FY18.

Casualty and Liability increased \$21 thousand (3.2%). Liability claims have been on the decline since the District changed claim service vendors.

## SPRINGFIELD MASS TRANSIT DISTRICT

### MANAGEMENT DISCUSSION AND ANALYSIS As of and for the Years Ended June 30, 2019 and 2018

#### CAPITAL ASSET ANALYSIS

A summary of the District's capital assets is presented in Table 3.

**Table 3**  
**Capital Assets at Year-end**  
**(In Thousands)**

	<u>FY19</u>	<u>FY18</u>	<u>FY17</u>
Land	\$ 3,885	\$ 3,885	\$ 3,738
Parking lot	1,762	893	114
Passenger shelters	554	462	442
Administration building	1,233	1,233	1,223
Buildings	896	825	526
Buses and Paratransit vans	24,808	29,060	21,707
Cars and trucks	339	295	234
Storage garage	1,788	1,788	1,788
Maintenance shop and office	7,749	7,749	7,749
Garage equipment	848	848	868
Office furniture and fixtures	144	144	150
Two-way radio equipment	263	19	19
Other assets & construction work in progress	1,531	1,928	1,340
Non-transit rental property	105	105	105
Telephone system	115	42	42
Stockroom and machine shop	176	176	176
CNG fueling station	1,779	1,779	1,779
Total	47,975	51,231	42,000
Less accumulated depreciation	(16,416)	(19,234)	(18,226)
Capital assets – net	<u>\$ 31,559</u>	<u>\$ 31,997</u>	<u>\$ 23,774</u>

#### For the year ending June 30, 2019:

- Parking lot - Concrete parking lot for SID Property – \$1,762,000. This is our new transfer station property adjoining the County Complex.
- Buses and paratransit assets decreased from \$29M to \$24M.
- Two-way radio equipment increased from \$19,000 to \$263,000. The change is driven by Clever Device implementation.

# SPRINGFIELD MASS TRANSIT DISTRICT

## MANAGEMENT DISCUSSION AND ANALYSIS As of and for the Years Ended June 30, 2019 and 2018

### For the year ending June 30, 2018:

- Parking lot – Began work to concrete parking lot for SID Property – valued at \$779 thousand.
- Building - Renovations and landscaping to SID Property – valued at \$299 thousand.
- Buses/Paratransit vans - Twenty buses were added and two were disposed of – net value \$7,335 thousand; Five Paratransit vans were replaced – net value \$18 thousand.
- Cars and trucks – Replaced 3 Road Supervisor Vehicles.
- Other assets – Security system for Admin Building – valued at \$80 thousand; Fence around SID Property – valued at \$80 thousand.
- Construction work in progress – Balance has increased \$414 thousand to \$940 thousand for 2018. The ITS Project (\$703 thousand) and the Transfer Center (\$208 thousand) are two projects that account for the majority of the balance.

### FINANCIAL ANALYSIS OF FIDUCIARY FUND

A summary of the Net Position of the District’s OPEB Trust Fund is presented in Table 4.

**Table 4**  
**Condensed Statement of Net Plan Position**  
**Fiduciary Fund**

	<u>FY2019</u>	<u>FY2018</u>	<u>FY2017</u>
Cash and cash equivalents	\$ 297,351	\$ 32,830	\$ 571,332
Interest receivable	93,828	92,519	65,345
Municipal bonds	6,152,357	5,121,942	4,018,946
<b>Net Position Restricted for OPEB</b>	<u>\$ 6,543,536</u>	<u>\$ 5,247,291</u>	<u>\$ 4,655,623</u>

## SPRINGFIELD MASS TRANSIT DISTRICT

### MANAGEMENT DISCUSSION AND ANALYSIS As of and for the Years Ended June 30, 2019 and 2018

A summary of the Changes to Net Position of the District's OPEB Trust Fund is presented in Table 5.

**Table 5**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Fund**

	<u>FY2019</u>	<u>FY2018</u>	<u>FY2017</u>
Employer contributions	\$1,225,706	\$ 753,911	\$1,392,384
Benefits paid out	(383,909)	(345,139)	(322,917)
Net investment gain (loss)	<u>454,448</u>	<u>182,896</u>	<u>(7,449)</u>
<b>Net Increase (Decrease) in Net Position</b>	1,296,245	591,668	1,062,018
Net Position – Beginning of Year	<u>5,247,291</u>	<u>4,655,623</u>	<u>3,593,605</u>
<b>Net Position – End of Year</b>	<u>\$6,543,536</u>	<u>\$5,247,291</u>	<u>\$4,655,623</u>

### YEAR IN REVIEW

- In FY2018, seventeen 35-foot buses were received, financed by a combination of Federal, State and Local funds.
- An ITS project began in FY-2017 and is scheduled to conclude in FY 2020. The project includes the launch of Computer Aided Dispatching and Automatic Vehicle Location (CAD/AVL) software, Automatic Passenger Counter system (APC), Automatic Voice Annunciator system (AVA) as well as Real Time Passenger Information system (RTIS) and an Interactive Voice Response telephone system (IVR).
- The construction of an off-street transfer center began in 2018 and concluded in 2019. Minor parking lot modifications remain to complete the project.
- New bus shelters were also purchased for the transfer center and Junction Circle, and building renovations were completed in 2019 to provide the SMTD Operators with an area for breaks.
- The District began the process to completely revamp all of the bus routes. The new routes began January 2019 with full-service evaluation scheduled for February of 2020.
- The District began new transit service in Chatham, Sherman, Riverton, and Spaulding in September 2018.

## **SPRINGFIELD MASS TRANSIT DISTRICT**

### **MANAGEMENT DISCUSSION AND ANALYSIS As of and for the Years Ended June 30, 2019 and 2018**

#### **Future Projects – 2020-2025**

- Procurements documents are in development for the implementation of an electronic fare collection system. The procurement is expected to begin in 2020 with full launch to conclude in 2021.
- The District will begin policy review and stakeholder input to revamp SMTD's fare structure to allow for multiple payment options and emerging Multi-Modal transportation options.
- The District will purchase six additional buses which will put SMTD in 100% State of Good Repair.
- The District will conclude construction for a secondary transfer point in 2020 at Junction Circle.
- Six New Flyer buses purchased through the Build America program are slated for receipt in mid-year Fiscal 2020.

#### **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 Tim Wenthe, District Controller, or Erik Bush, Director of Finance & Administration, Springfield Mass Transit District, 928 South 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, 2019 and 2018

	2019	2018
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and investments	\$ 5,051,374	\$ 3,906,970
Accounts Receivable		
Taxes	1,294,653	1,208,403
Operating assistance grants - net	1,550,911	1,737,763
Capital assistance grants	252,099	2,341,573
Other	191,197	319,154
Materials and supplies inventories	877,512	753,309
Prepaid expenses	125,778	38,645
Total Current Assets	9,343,524	10,305,817
<b>NONCURRENT ASSETS</b>		
Investments	681,770	1,139,829
Net pension asset	-	2,755,247
Capital Assets		
Capital assets, not being depreciated	4,000,519	4,929,944
Property and equipment	43,974,148	46,301,078
Accumulated depreciation	(16,415,950)	(19,233,827)
Total Noncurrent Assets	32,240,487	35,892,271
Total Assets	41,584,011	46,198,088
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
OPEB deferred outflows	1,369,256	908,490
Pension deferred outflows	4,392,731	610,382
Total Deferred Outflows	5,761,987	1,518,872
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	1,041,921	1,382,280
Line of credit	-	1,144,911
Accrued payroll	179,427	149,938
Accrued payroll taxes and retirement	131,098	176,906
Accrued compensated absences	524,099	508,161
Other current liabilities	4,140	4,360
Total Current Liabilities	1,880,685	3,366,556
<b>NONCURRENT LIABILITIES</b>		
Net OPEB liability	8,982,476	9,048,654
Net pension liability	3,025,811	-
Total Noncurrent Liabilities	12,008,287	9,048,654
Total Liabilities	13,888,972	12,415,210
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension deferred inflows	961,711	2,921,458
<b>NET POSITION</b>		
Net investment in capital assets	31,558,717	31,997,195
Restricted for pensions	-	2,755,247
Unrestricted	936,598	(2,372,150)
<b>TOTAL NET POSITION</b>	<b>\$ 32,495,315</b>	<b>\$ 32,380,292</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, 2019 and 2018

	2019	2018
<b>OPERATING REVENUES</b>		
Full adult fares	\$ 922,435	\$ 956,154
Senior citizen, student, and handicapped fees	28,529	24,624
Local student fare assistance	47,224	61,471
Advertising revenue	145,099	124,113
Total Operating Revenues	1,143,287	1,166,362
<b>OPERATION AND MAINTENANCE EXPENSES</b>	15,162,201	14,357,373
Operating Loss Before Depreciation	(14,018,914)	(13,191,011)
<b>DEPRECIATION</b>	2,802,598	1,932,087
Loss From Operations	(16,821,512)	(15,123,098)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Local taxes	2,758,867	2,678,733
Grants		
State of Illinois - Downstate Public Transportation Assistance Program		
Operating assistance	9,907,647	10,477,491
Federal Transit Administration Operating assistance	2,158,163	1,724,999
Investment income	138,401	78,196
Interest on property taxes	1,657	1,375
Other income	80,520	38,000
Net gain/(loss) on disposal of capital assets	15,926	16,946
Total Nonoperating Revenues	15,061,181	15,015,740
Net Income Before Contributions	(1,760,331)	(107,358)
<b>CAPITAL CONTRIBUTIONS</b>		
Capital assistance - Federal	1,579,564	2,846,865
Capital assistance - State	-	4,100,000
Capital contributions - other	295,790	413,835
Total Capital Contributions	1,875,354	7,360,700
<b>CHANGE IN NET POSITION</b>	115,023	7,253,342
NET POSITION - Beginning of Year	32,380,292	33,333,457
Cumulative effect of change in accounting principle	-	(8,206,507)
<b>NET POSITION - END OF YEAR</b>	\$ 32,495,315	\$ 32,380,292

See accompanying notes to financial statements.

**SPRINGFIELD MASS TRANSIT DISTRICT**

STATEMENTS OF CASH FLOWS  
 PROPRIETARY FUND  
 For the Years Ended June 30, 2019 and 2018

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received for transit fares	\$ 1,126,145	\$ 837,394
Cash received from sales of charters, advertising and rental income	225,619	162,113
Wages and benefits paid to employees	(11,735,799)	(10,189,366)
Payments to suppliers for goods and services	(5,262,731)	(3,649,504)
Net Cash Flows From Operating Activities	(15,646,766)	(12,839,363)
 <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Operating Subsidies Received From		
State of Illinois	10,468,598	11,864,452
Federal Transit Administration	1,821,157	-
Property and income taxes received	2,672,617	2,770,890
Line of credit draws (payments)	(1,144,911)	1,144,911
 Net Cash Flows From Noncapital Financing Activities	13,817,461	15,780,253
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital Grants Received From		
Federal Transit Administration and State of Illinois	3,631,945	5,255,781
Purchase and construction of capital assets	(1,256,353)	(9,882,830)
Net Cash Flows From Capital and Related Financing Activities	2,375,592	(4,627,049)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investments sold	458,059	4,989
Investment income	140,058	79,571
Net Cash Flows From Investing Activities	598,117	84,560
 <b>Net Change in Cash and Cash Equivalents</b>	1,144,404	(1,601,599)
 CASH AND CASH EQUIVALENTS – Beginning of Year	3,906,970	5,508,569
 <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 5,051,374	\$ 3,906,970
 <b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Contributed assets	\$ 295,790	\$ 413,835

	<u>2019</u>	<u>2018</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating loss	\$ (16,821,512)	\$ (15,123,098)
Nonoperating revenue		
Rental income	80,520	38,000
Noncash items included in operating loss		
Depreciation expense	2,802,598	1,932,087
Changes in Assets and Liabilities		
Accounts receivable	127,957	(204,855)
Prepaid expenses	(87,133)	(14,526)
Materials and supplies	(124,203)	132,502
Pension liability, deferrals, and asset	38,962	479,469
Accounts payable	(1,125,345)	372,323
Net OPEB liability/obligation and deferrals	(538,009)	(64,266)
Accrued wages and benefits	45,427	38,885
Other liabilities	(46,028)	(425,884)
	<u>                    </u>	<u>                    </u>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>\$ (15,646,766)</u>	<u>\$ (12,839,363)</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION ACCOUNTS</b>		
Cash and investments - current	\$ 5,051,374	\$ 3,906,970
Investments - noncurrent	681,770	1,139,829
Total Cash and Investments	<u>5,733,144</u>	<u>5,046,799</u>
Less: Noncash equivalents	<u>681,770</u>	<u>1,139,829</u>
	<u>                    </u>	<u>                    </u>
<b>CASH AND CASH EQUIVALENTS</b>	<u>\$ 5,051,374</u>	<u>\$ 3,906,970</u>

See accompanying notes to financial statements

## SPRINGFIELD MASS TRANSIT DISTRICT

STATEMENT OF NET POSITION  
FIDUCIARY FUND  
As of June 30, 2019 and 2018

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	OPEB Trust Fund 2019	OPEB Trust Fund 2018
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 297,352	\$ 32,830
Interest receivable	93,828	92,519
Total Current Assets	<u>391,180</u>	<u>125,349</u>
<b>NONCURRENT ASSETS</b>		
Municipal bonds	<u>6,152,357</u>	<u>5,121,942</u>
<b>TOTAL ASSETS</b>	<u>6,543,537</u>	<u>5,247,291</u>
<b>NET POSITION</b>		
Net position restricted for OPEB	<u>\$ 6,543,537</u>	<u>\$ 5,247,291</u>

See accompanying notes to financial statements.

# SPRINGFIELD MASS TRANSIT DISTRICT

## STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUND

For the Years Ended June 30, 2019 and 2018

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	OPEB Trust Fund 2019	OPEB Trust Fund 2018
<b>ADDITIONS</b>		
Employer contributions	\$ 1,224,679	\$ 753,911
Net investment gain	<u>454,448</u>	<u>182,896</u>
Total Additions	<u>1,679,127</u>	<u>936,807</u>
<b>DEDUCTIONS</b>		
Benefits	<u>382,881</u>	<u>345,139</u>
Total Deductions	<u>382,881</u>	<u>345,139</u>
<b>NET INCREASE (DECREASE) IN NET POSITION</b>	1,296,246	591,668
NET POSITION - Beginning of Year	<u>5,247,291</u>	<u>4,655,623</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 6,543,537</u>	<u>\$ 5,247,291</u>

See accompanying notes to financial statements.

# SPRINGFIELD MASS TRANSIT DISTRICT

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2019 and 2018

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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.

GASB issued Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* in July 2017. This statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended*, and Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. The District adopted this statement effective July 1, 2017.

# SPRINGFIELD MASS TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended June 30, 2019 and 2018

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

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### ***ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES 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. Nonnegotiable 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 market information as discussed in Note 2. 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.

#### ***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.

#### ***Net Pension Liability (Asset)***

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources to pensions, and pension expense, information about the fiduciary net position of the Illinois Municipal Retirement Fund (IMRF or the "Fund") 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 benefit terms. Investments are reported at fair value. Details are included in Note 7.



# SPRINGFIELD MASS TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended June 30, 2019 and 2018

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

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

#### ***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 and the GASB Statement No. 75 OPEB liability. Details of the accounts are included in Note 7 and 8.

#### ***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, 2019 and 2018

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

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

#### ***Other Postemployment Benefit Liability (Net OPEB Liability)***

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District OPEB Plan and additions to/deductions from the District's fiduciary net position have been determined on the same basis as they are reported by the District OPEB Plan. For this purpose, the District OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

#### ***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.

#### ***Deferred Inflows of Resources***

A deferred inflow of resources represents an acquisition of net position that applies to a future period and will therefore not be recognized as an inflow of resources (revenue) until that future time. Pension deferred inflows relate to the GASB Statement No. 68 pension liability. Details of the account are included in Note 7.

#### ***Line of Credit***

The District has a line of credit with Illinois National Bank in the amount of \$3,000,000 that they draw on when receipt of grant funds does not correspond with payments due. The maturity date is November 22, 2020. The amount drawn on the line of credit was \$0 as of June 30, 2019 and \$1,144,911 as of June 30, 2018.

# SPRINGFIELD MASS TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended June 30, 2019 and 2018

---

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

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

#### ***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, 2019 and 2018.
- > *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 2019 and 2018, the District expended all of its property tax revenues; therefore, no restricted net position related to unexpended property tax revenue is reported.
- > *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.

# SPRINGFIELD MASS TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended June 30, 2019 and 2018

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

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

#### **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.

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

GASB has approved Statement No. 84, *Fiduciary Activities*, Statement No. 86, *Certain Debt Extinguishment Issues*, Statement No. 87, *Leases*, Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, and Statement No. 90, *Majority Equity Interests, an amendment of GASB Statement No. 14 and No. 61*, and Statement No. 91, *Conduit Debt Obligations*. 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.

## SPRINGFIELD MASS TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended June 30, 2019 and 2018

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

- 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.
- 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:

	2019		2018	
	Bank Balance	Carrying Value	Bank Balance	Carrying Value
Checking and Savings	\$ 1,222,709	\$ 1,093,728	\$ 2,042,059	\$ 2,007,364
Money Market	307,567	307,567	52,359	52,359
Certificates of Deposit	482,292	482,292	968,472	968,211
Illinois Funds	3,947,430	3,947,430	1,880,078	1,880,078
Municipal Bonds	6,316,497	6,316,497	5,252,653	5,252,653
U.S. Agencies	35,339	35,339	40,906	40,906
Totals	\$ 12,311,834	\$ 12,182,853	\$ 10,236,527	\$ 10,201,571
Reconciliation to financial statements				
Per statement of net position				
Current cash and investments		\$ 5,051,374		\$ 3,906,970
Noncurrent investments		681,770		1,139,829
Per statement of net position –				
Fiduciary Fund				
Cash and cash equivalents		297,352		32,830
Municipal bonds		6,152,357		5,121,942
Total Deposits and Investments		\$ 12,182,853		\$ 10,201,571

**SPRINGFIELD MASS TRANSIT DISTRICT**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended June 30, 2019 and 2018

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

***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. No collateral agreement was required to cover investments as of June 30, 2018 and June 30, 2019. In addition, at June 30, 2019 and 2018, the District had an irrevocable, unconditional and nontransferable letter of credit in the amount of \$3,000,000, to secure their operating account. At June 30, 2019 and 2018, 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, 2019 and 2018, 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, 2019, 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	BBB+, A-, A, A+, AA	Not rated, AA3, BAA4, A2, BAA1, A, AA
Illinois Funds	AAAm	Not rated

At June 30, 2018, 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	BBB+, A-, A, A+, AA	Not rated, AA3, BAA4, A2, BAA1, A, AA
Illinois Funds	AAAm	Not rated

# SPRINGFIELD MASS TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended June 30, 2019 and 2018

## 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, 2019 and 2018, the District's investments were as follows:

Investment Type	Maturity in Years			
	Fair Value	Less than 1 Year	1-5 Years	Greater than 5 Years
<i>Current Cash and Investments</i>				
Money Market				
Mutual Fund	\$ 3,947,430	\$ 3,947,430	\$ -	\$ -
<i>Noncurrent Investments</i>				
U.S. Agencies	35,339	-	-	35,339
Municipal Bonds	6,316,497	60,947	872,858	5,382,692
Total	<u>\$ 10,299,266</u>	<u>\$ 4,008,377</u>	<u>\$ 872,858</u>	<u>\$ 5,418,031</u>

## SPRINGFIELD MASS TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended June 30, 2019 and 2018

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

#### *Interest Rate Risk* (cont.)

Investment Type	Fair Value	Maturity in Years		
		Less than 1 Year	1-5 Years	Greater than 5 Years
<i>Current Cash and Investments</i>				
Money Market Mutual Fund	\$ 1,880,078	\$ 1,880,078	\$ -	\$ -
<i>Noncurrent Investments</i>				
U.S. Agencies	40,906	-	-	40,906
Municipal Bonds	5,252,653	85,724	537,011	4,629,918
<b>Total</b>	<b>\$ 7,173,637</b>	<b>\$ 1,965,802</b>	<b>\$ 537,011</b>	<b>\$ 4,670,824</b>

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

#### *Fair Value Measurement*

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The valuation methods for recurring fair value measurements are as follows:

- > Market approach with multidimensional model for investments held as Municipal Bonds and at U.S. Agencies.
- > Market approach for investments held under the Illinois Funds.

Investment Type	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Illinois Funds	\$ 3,947,430	\$ -	\$ -	\$ 3,947,430
Municipal Bonds and U.S. Agencies	707,322	5,644,514	-	6,351,836
<b>Totals</b>	<b>\$ 4,654,752</b>	<b>\$ 5,644,514</b>	<b>\$ -</b>	<b>\$ 10,299,266</b>



**SPRINGFIELD MASS TRANSIT DISTRICT**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended June 30, 2019 and 2018

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

*Fair Value Measurement* (cont.)

Investment Type	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Illinois Funds	\$ 1,880,078	\$ -	\$ -	\$ 1,880,078
Municipal Bonds and U.S. Agencies	-	5,293,559	-	5,293,559
<b>Totals</b>	<u>\$ 1,880,078</u>	<u>\$ 5,293,559</u>	<u>\$ -</u>	<u>\$ 7,173,637</u>

**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 2017 became a lien on January 1, 2018, were payable in June and September of 2018 and recognized as revenue in fiscal year 2018. The taxes levied in July of 2018 became a lien on January 1, 2019, were payable in June and September of 2019 and recognized as revenue in fiscal year 2019. The taxes levied in July of 2019 will be received and recognized as revenue in fiscal year 2020. 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 (\$2,123,791,511 in 2019 and \$2,093,376,770 in 2018) 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:

	2019		2018	
	Revenue	Receivable	Revenue	Receivable
General corporate levy	\$ 1,353,435	\$ 656,405	\$ 1,316,945	\$ 610,165
Illinois Municipal Retirement Fund levy	391,942	191,238	383,459	179,350
Liability insurance levy	442,794	216,047	431,379	201,769
Social Security levy	400,429	195,381	391,785	183,245
Auditing levy	25,427	12,409	25,007	11,697
Replacement tax	144,840	23,173	130,158	22,177
<b>Totals</b>	<u>\$ 2,758,867</u>	<u>\$ 1,294,653</u>	<u>\$ 2,678,733</u>	<u>\$ 1,208,403</u>

## SPRINGFIELD MASS TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended June 30, 2019 and 2018

### 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.

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

	2019	2018
IDOT FY 19 Operating assistance OP-19-05-IL	\$ (319,811)	\$ -
IDOT FY 18 Operating assistance OP-18-05-IL	(39,026)	165,020
IDOT FY 17 Operating assistance OP-17-05-IL	(1,058)	(1,058)
IDOT FY 16 Operating assistance OP-16-05-IL	46,061	46,061
IDOT FY 15 Operating assistance OP-15-05-IL	(134,710)	(134,710)
IDOT FY 14 Operating assistance OP-14-05-IL	(17,152)	(17,152)
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	(37,093)	(37,093)
 Total State Operating Assistance Receivable	 (511,096)	 12,761
 Federal operating assistance receivable*	 2,062,007	 1,725,002
 Total Operating Assistance Receivable	 \$ 1,550,911	 \$ 1,737,763

\*This includes receivables for Projects IL-90-X712, IL-2018-0026 and IL-2017-009 operating assistance.

## SPRINGFIELD MASS TRANSIT DISTRICT

### NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2019 and 2018

#### **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:

	2019	2018
Federal Capital Assistance IL-90-X704	\$ -	\$ 10,090
Federal Capital Assistance IL-2018-026-02	8,810	-
Federal Capital Assistance IL-90-X744	219,400	113,145
Federal Capital Assistance IL-90-X728	-	53,987
Federal Capital Assistance IL-2016-004-00	-	159,135
Federal Capital Assistance IL-2017-009-00	-	986
Federal Capital Assistance IL-2018-0020	-	27,728
Federal Capital Assistance IL-90-X712	-	14,030
Federal Capital Assistance IL-04-0086	23,889	-
Federal Capital Assistance IL-90-X069	-	50,674
	<u>\$ 252,099</u>	<u>\$ 429,775</u>
Total Capital Assistance Receivable	<u>\$ 252,099</u>	<u>\$ 429,775</u>

#### **NOTE 6 – CHANGES IN CAPITAL ASSETS**

Capital asset activity for the year ending June 30, 2019 consists of the following:

	Balances July 1, 2018	Additions	Retirements	Balances June 30, 2019
Capital assets, not being depreciated				
Land	\$ 3,989,847	\$ -	\$ -	\$ 3,989,847
Construction in progress	940,097	1,999,270	(2,928,695)	10,672
Total Capital Assets Not Being Depreciated	<u>4,929,944</u>	<u>1,999,270</u>	<u>(2,928,695)</u>	<u>4,000,519</u>
Capital assets, being depreciated				
Parking lot	892,707	869,058	-	1,761,765
Passenger shelters	462,212	91,740	-	553,952
Administration building	1,233,055	-	-	1,233,055
Transfer Center Building	825,281	70,242	-	895,523
Buses and paratransit vans	29,059,848	1,330,786	(5,583,249)	24,807,385
Cars and trucks	295,118	44,769	-	339,887
Storage garage	1,788,270	-	-	1,788,270
Maintenance shop and office	7,749,088	-	-	7,749,088
Garage equipment	847,574	-	-	847,574
Office furniture and fixtures	143,768	-	-	143,768
Two-way radio equipment	19,206	243,844	-	263,050
Other assets	988,020	532,629	-	1,520,649
Telephone system	41,537	112,476	(39,225)	114,788
Stockroom and machine shop	176,377	-	-	176,377
CNG fueling station	1,779,017	-	-	1,779,017
Total Capital Assets Being Depreciated	<u>46,301,078</u>	<u>3,295,544</u>	<u>(5,622,474)</u>	<u>43,974,148</u>
Total Capital Assets	<u>\$ 51,231,022</u>	<u>\$ 5,294,814</u>	<u>\$ (8,551,169)</u>	<u>\$ 47,974,667</u>

## SPRINGFIELD MASS TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended June 30, 2019 and 2018

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

Accumulated depreciation activity for the year ending June 30, 2019 consists of the following:

	Balances <u>July 1, 2018</u>	Additions	Retirements	Balances <u>June 30, 2019</u>
Parking lot	\$ 113,715	\$ 76,165	\$ -	\$ 189,880
Passenger shelters	231,009	38,951	-	269,960
Administration building	614,531	39,597	-	654,128
Transfer Center Building	46,777	28,077	-	74,854
Buses and paratransit vans	13,378,957	1,997,967	(5,581,249)	9,795,675
Cars and trucks	146,935	40,428	-	187,363
Storage garage	1,063,646	43,215	-	1,106,861
Maintenance shop and office	1,417,225	232,346	-	1,649,571
Garage equipment	661,800	29,622	-	691,422
Office furniture and fixtures	143,770	-	-	143,770
Two-way radio equipment	18,574	28,808	-	47,382
Other assets	796,243	116,968	-	913,211
Telephone system	41,537	6,561	(39,225)	8,873
Stockroom and machine shop	153,888	5,291	-	159,179
CNG fueling station	405,220	118,601	-	523,821
	<u>19,233,827</u>	<u>2,802,597</u>	<u>(5,620,474)</u>	<u>16,415,950</u>
Total Accumulated Depreciation				
	<u>27,067,251</u>	<u>492,947</u>	<u>(2,000)</u>	<u>27,558,198</u>
Total Capital Assets Being Depreciated, Net				
	<u>\$ 31,997,195</u>	<u>\$ 2,492,217</u>	<u>\$ (2,930,695)</u>	<u>\$ 31,558,717</u>
Total Capital Assets, Net of Accumulated Depreciation				

## SPRINGFIELD MASS TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended June 30, 2019 and 2018

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

Capital asset activity for the year ending June 30, 2018 consists of the following:

	<u>Balances</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balances</u>
	<u>July 1, 2017</u>			<u>June 30, 2018</u>
Capital assets, not being depreciated				
Land	\$ 3,842,817	\$ 147,030	\$ -	\$ 3,989,847
Construction in progress	<u>512,157</u>	<u>1,726,683</u>	<u>(1,298,743)</u>	<u>940,097</u>
Total Capital Assets Not Being Depreciated	<u>4,354,974</u>	<u>1,873,713</u>	<u>(1,298,743)</u>	<u>4,929,944</u>
Capital assets, being depreciated				
Parking lot	113,715	778,992	-	892,707
Passenger shelters	441,870	24,106	(3,764)	462,212
Administration building	1,223,205	9,850	-	1,233,055
Transfer Center Building	525,861	299,420	-	825,281
Buses and paratransit vans	21,707,092	8,175,819	(823,064)	29,059,848
Cars and trucks	234,365	123,000	(62,247)	295,118
Storage garage	1,788,270	-	-	1,788,270
Maintenance shop and office	7,749,088	-	-	7,749,088
Garage equipment	867,779	10,689	(30,894)	847,574
Office furniture and fixtures	150,312	-	(6,544)	143,768
Two-way radio equipment	19,206	-	-	19,206
Other assets	827,575	160,446	-	988,020
Telephone system	41,537	-	-	41,537
Stockroom and machine shop	176,377	-	-	176,377
CNG fueling station	<u>1,779,017</u>	<u>-</u>	<u>-</u>	<u>1,779,017</u>
Total Capital Assets Being Depreciated	<u>37,645,269</u>	<u>9,582,322</u>	<u>(926,513)</u>	<u>46,301,078</u>
Total Capital Assets	<u>\$ 42,000,243</u>	<u>\$ 11,456,035</u>	<u>\$ (2,225,256)</u>	<u>\$ 51,231,022</u>

## SPRINGFIELD MASS TRANSIT DISTRICT

### NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2019 and 2018

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

Accumulated depreciation activity for the year ending June 30, 2018 consists of the following:

	<u>Balances</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balances</u>
	<u>July 1, 2018</u>			<u>June 30, 2018</u>
Parking lot	\$ 113,715	\$ -	\$ -	\$ 113,715
Passenger shelters	204,248	30,524	(3,764)	231,008
Administration building	575,098	39,433	-	614,531
Transfer Center Building	31,001	15,776	-	46,777
Buses and paratransit vans	12,834,745	1,365,277	(821,064)	13,378,958
Cars and trucks	181,648	27,534	(62,247)	146,935
Storage garage	1,020,431	43,215	-	1,063,646
Maintenance shop and office	1,184,879	232,346	-	1,417,225
Garage equipment	660,841	31,854	(30,894)	661,800
Office furniture and fixtures	150,314	-	(6,544)	143,770
Two-way radio equipment	18,031	543	-	18,574
Other assets	774,549	21,694	-	796,243
Telephone system	41,537	-	-	41,537
Stockroom and machine shop	148,597	5,291	-	153,888
CNG fueling station	286,619	118,601	-	405,220
	<u>18,226,253</u>	<u>1,932,088</u>	<u>(924,513)</u>	<u>19,233,827</u>
Total Accumulated Depreciation				
	<u>19,419,016</u>	<u>7,650,235</u>	<u>(2,000)</u>	<u>27,067,251</u>
Total Capital Assets Being Depreciated, Net				
	<u>\$ 23,773,990</u>	<u>\$ 9,523,948</u>	<u>\$ (1,300,743)</u>	<u>\$ 31,997,195</u>
Total Capital Assets, Net of Accumulated Depreciation				

#### **NOTE 7 – DEFINED BENEFIT PENSION PLAN**

##### ***PLAN DESCRIPTION***

The District's defined benefit pension plan for regular employees provides retirement and disability benefits, postretirement 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, 2019 and 2018

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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, 2018 and 2017, the following employees were covered by the benefit terms:

	<u>2018</u>	<u>2017</u>
Retirees and Beneficiaries currently receiving benefits	101	96
Inactive Plan Members entitled to but not yet receiving benefits	87	76
Active Plan Members	<u>146</u>	<u>139</u>
Totals	<u>334</u>	<u>311</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 2018 and 2017 was 8.43% and 13.72%, respectively. For the fiscal year ended June 30, 2019 and 2018, the District contributed \$663,813 and \$637,808, respectively to the plan. The District also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by IMRF's Board of Trustees, while the supplemental retirement benefits rate is set by statute.

# SPRINGFIELD MASS TRANSIT DISTRICT

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2019 and 2018

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

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#### *NET PENSION LIABILITY*

The District's net pension asset for fiscal year 2019 was measured as of December 31, 2018. The District's net pension liability for fiscal year 2018 was measured as of December 31, 2017. The total pension liability (asset) used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date.

#### *ACTUARIAL ASSUMPTIONS*

The following are the methods and assumptions used to determine total pension liability at December 31, 2018 and 2017:

- > The **Actuarial Cost Method** used was Entry Age Normal.
- > The **Asset Valuation Method** used was Market Value of Assets.
- > The **Inflation Rate** was assumed to be 2.50%.
- > **Salary Increases** were expected to be 3.39% to 14.25%, including inflation.
- > The **Investment Rate of Return** was assumed to be 7.25%.
- > **Projected Retirement Age** was from the Experience-based Table of Rates, specific to the type of eligibility condition, last updated for the 2017 valuation according to an experience study from years 2014 to 2016.
- > The IMRF-specific rates for **Mortality** (for nondisabled retirees) were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience.
- > For **Disabled Retirees**, an IMRF-specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table, applying the same adjustments that were applied for nondisabled lives.
- > For **Active Members**, an IMRF-specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF-specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.



# SPRINGFIELD MASS TRANSIT DISTRICT

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2019 and 2018

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

#### *ACTUARIAL ASSUMPTIONS* (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:

Asset Class	Portfolio Target Percentage	Long-Term Expected Real Rate of Return
Domestic Equity	37%	6.85%
International Equity	18%	6.75%
Fixed Income	28%	3.00%
Real Estate	9%	5.75%
Alternative Investments	7%	2.65-7.35%
Cash Equivalents	1%	2.25%
Total	100%	

#### *SINGLE DISCOUNT RATE*

A Single Discount Rate of 7.25% and 7.5% were used to measure the total pension liability for for plan years ended December 31, 2018 and 2017, respectively. 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 7.25%, the municipal bond rate is 3.71%, and the resulting single discount rate is 7.25%.

## SPRINGFIELD MASS TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended June 30, 2019 and 2018

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

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

	<u>Total Pension Liability (A)</u>	<u>Plan Fiduciary Net Position (B)</u>	<u>Net Pension Liability</u>
Balances at December 31, 2016	\$ 31,180,549	\$ 29,816,240	\$ 1,364,309
Changes for the year:			
Service cost	810,388	-	810,388
Interest on the total pension liability	2,304,616	-	2,304,616
Changes of benefit terms	-	-	-
Differences between expected and actual experience of the total pension liability	(253,099)	-	(253,099)
Changes of assumptions	(1,045,383)	-	(1,045,383)
Contributions - employer	-	981,897	(981,897)
Contributions – employees	-	321,987	(321,987)
Net investment income	-	5,382,920	(5,382,920)
Benefit payments, including refunds of employee contributions	(1,715,072)	(1,715,072)	-
Other (net transfer)	-	(750,726)	750,726
Net Changes	<u>101,450</u>	<u>4,221,006</u>	<u>(4,119,556)</u>
Balances at December 31, 2017	<u>\$ 31,281,999</u>	<u>\$ 34,037,246</u>	<u>\$ (2,755,247)</u>
Changes for the year:			
Service cost	\$ 721,365	\$ -	\$ 721,365
Interest on the total pension liability	2,300,767	-	2,300,767
Changes of benefit terms	-	-	-
Differences between expected and actual experience of the total pension liability	1,340,294	-	1,340,294
Changes of assumptions	997,411	-	997,411
Contributions - employer	-	663,813	(663,813)
Contributions – employees	-	354,443	(354,443)
Net investment income	-	(2,133,005)	2,133,005
Benefit payments, including refunds of employee contributions	(1,931,578)	(1,931,578)	-
Other (net transfer)	-	693,528	(693,528)
Net Changes	<u>3,428,259</u>	<u>(2,352,799)</u>	<u>5,781,058</u>
Balances at December 31, 2018	<u>\$ 34,710,258</u>	<u>\$ 31,684,447</u>	<u>\$ 3,025,811</u>

## SPRINGFIELD MASS TRANSIT DISTRICT

### NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2019 and 2018

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

##### ***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 7.25% and 7.5% for plan years ended December 31, 2018 and 2017, respectively, 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:

Net Pension Liability (Asset)	1% Lower (6.25%)	Current Discount (7.25%)	1% Higher (8.25%)
December 31, 2018	\$ 7,539,526	\$ 3,025,811	\$ (700,183)
Net Pension Liability (Asset)	1% Lower (6.50%)	Current Discount (7.50%)	1% Higher (8.50%)
December 31, 2017	\$ 1,219,952	\$ (2,755,247)	\$ (6,037,973)

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

For the year ended June 30, 2019 and 2018, the District recognized pension expense of \$1,165,819 and \$1,118,218, respectively. At June 30, 2019 and 2018, the District reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

Deferred Amounts Related to Pensions	2019		2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
<i>Deferred Amounts to be Recognized in Pension Expense in Future Periods</i>				
Differences between expected and actual experience	\$ 1,065,171	\$ 323,636	\$ 82,287	\$ 490,516
Changes of assumptions	809,660	638,075	225,743	857,443
Net difference between projected and actual earnings on pension plan investments	2,297,830	-	-	1,573,499
Total Deferred Amounts to be recognized in pension expense in future periods	4,172,661	961,711	308,030	2,921,458
<i>Pension Contributions made subsequent to the Measurement Date</i>	220,070	-	302,352	-
Total Deferred Amounts Related to Pensions	\$ 4,392,731	\$ 961,711	\$ 610,382	\$ 2,921,458

# SPRINGFIELD MASS TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended June 30, 2019 and 2018

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

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### *PENSION EXPENSE, DEFERRED OUTFLOWS OF RESOURCES, AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (cont.)*

Deferred outflows related to pension resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended June 30, 2020. Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense in future periods as follows:

Year Ending June 30	Net Deferred Outflows and Deferred Inflows of Resources
2019	\$ 856,569
2020	502,520
2021	531,656
2022	1,320,205
2023	-
Thereafter	-
Total	<u>\$ 3,210,950</u>

### *OUTSTANDING PAYABLES*

At June 30, 2019 and 2018, the District had outstanding payables to IMRF of \$68,986 and \$125,169, respectively, related to June 2019 and 2018 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.

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## NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS

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### *GENERAL INFORMATION ABOUT THE OPEB PLAN*

**Plan description.** Springfield Mass Transit District (the "District") administers the District's Retiree Health Insurance Program-a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) on behalf of its eligible retirees and their dependents, as well as surviving spouses of deceased retirees of the District.

Management of the District is vested in the Board of Trustees (The "Board"), which consists of seven members appointed by the Sangamon County Board of Supervisors to oversee the policies and operations of the District.

# SPRINGFIELD MASS TRANSIT DISTRICT

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2019 and 2018

### NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (cont.)

#### *GENERAL INFORMATION ABOUT THE OPEB PLAN (cont.)*

**Employees covered by benefit terms.** At June 30, 2019 and 2018, the Retiree Health Insurance Program membership consisted of the following:

	2019	2018
Retirees and Beneficiaries currently receiving benefits	61	61
Terminated employees entitled to benefits but not yet receiving them	-	-
Active plan members	92	92
	153	153

**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 provides healthcare and vision benefits for retirees and their dependents. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the plan. Chapter 21 of the District Code grants the authority to establish and amend the benefit terms to the Board.

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:

Years of Service	% of Monthly Premium	Maximum Monthly Premium
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, 2019 and 2018

### NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (cont.)

#### *GENERAL INFORMATION ABOUT THE OPEB PLAN (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
11	74%/0%	67%/0%	125
12	81%/0%	73%/0%	110
13	84%/0%	76%/0%	110
14	88%/60%	79%/30%	110
15	90%/70%	80%/40%	110
16	100%/80%	90%/50%	80

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

For employees hired 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.

**Contributions.** 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 years ended June 30, 2019 and 2018, the District contributed \$686,345 and \$753,911, respectively. Active employees do not contribute to the plan until retirement.

#### **NET OPEB LIABILITY**

The District's net OPEB liability reported as of June 30, 2019 and 2018 was measured as of June 30, 2018 and 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

# SPRINGFIELD MASS TRANSIT DISTRICT

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2019 and 2018

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### NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (cont.)

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#### **NET OPEB LIABILITY** (cont.)

**Actuarial assumptions.** The total OPEB liability was determined by an actuarial valuation as of June 30, 2018 and 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	June 30, 2018 and 2017
Inflation Rate	2.5%
Salary Increase Rate	2.5%
Discount Rate	4.5%
Initial Trend Rate	8.5%
Ultimate Trend Rate	4.0%
Years to Ultimate	55
Investment rate of return	4.5%

Mortality rates were based on the RP-2014 Total Dataset Mortality Tables with fully generational mortality improvement using Scale MP-2017. Healthy Retiree and Beneficiary mortality rates were based on the RP-2014 Mortality Table with Blue Collar Adjustment with fully generational mortality improvement using Scale MP-2017.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actual experience study for the period July 1, 2017 to June 30, 2018.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actual experience study for the period July 1, 2016 to June 30, 2017.

## SPRINGFIELD MASS TRANSIT DISTRICT

### NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2019 and 2018

#### NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (cont.)

##### *OPEB Trust* (cont.)

The long-term expected rate of return on OPEB 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 OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and Cash Equivalents	5%	0%
U.S. Equity	-	-
International Equity	-	-
Real estate	-	-
U.S. Fixed Income	95	2.99
Total	100%	

**Discount rate.** The discount rate used to measure the total OPEB liability as of June 30, 2018 and 2017 was 4.5 percent. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates.

**Investment policy.** The District's policy in regard to the allocation of invested assets is established and may be amended by the District's Board by a majority vote of its members. It is the policy of the District's Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The District's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The Board has not adopted an asset allocation policy as of June 30, 2017 or 2018.

**Rate of return.** For the years ended June 30, 2018 and 2017, the annual money-weighted rate of return on investments, net of investment expenses, was 4.07% and 5.4%, respectively. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.



**SPRINGFIELD MASS TRANSIT DISTRICT**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended June 30, 2019 and 2018

**NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (cont.)**

*OPEB Trust (cont.)*

**Sensitivity of the net OPEB liability to changes in the discount rate.** The following presents the net OPEB liability of the District as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentagepoint lower (3.5 percent) or 1-percentage-point higher (5.5 percent) than the current discount rate:

Net OPEB liability (asset)	1% Decrease (3.5%)	Discount Rate (4.5%)	1% Increase (5.5%)
June 30, 2018	\$ 11,302,310	\$ 8,971,411	\$ 7,122,022
June 30, 2017	11,343,970	9,048,654	7,212,466

**Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates.** The following presents the net OPEB liability of the District as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

Net OPEB liability (asset)	1% Decrease (3.0% - 7.5%)	Healthcare Cost Trend Rate (4.0% - 8.5%)	1% Increase (5.0% - 9.5%)
June 30, 2018	\$ 6,909,437	\$ 8,971,411	\$ 11,591,169
June 30, 2017	7,114,221	9,048,654	11,479,930

## SPRINGFIELD MASS TRANSIT DISTRICT

### NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2019 and 2018

#### **NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (cont.)**

##### **NET OPEB LIABILITY**

**Discount rate.** The discount rate used to measure the total OPEB liability was 4.5 percent for June 30 2019 and 2018. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates.

##### **CHANGES IN THE NET OPEB LIABILITY**

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances at June 30, 2017	\$ 13,160,458	\$ 3,593,605	\$ 9,596,853
Changes for the year:			
Service cost	239,570	-	239,570
Interest	597,166	-	597,166
Differences between expected and actual experience	-	-	-
Changes in assumptions	-	-	-
Contributions-employer	-	1,392,384	(1,392,384)
Contributions-employee	-	-	-
Net investment income	-	(7,449)	7,449
Benefit payments	(322,917)	(322,917)	-
Administrative expense	-	-	-
Net changes	<u>513,819</u>	<u>1,062,018</u>	<u>(548,199)</u>
Balances at June 30, 2018	<u>13,704,277</u>	<u>4,655,623</u>	<u>9,048,654</u>
Changes for the year:			
Service cost	250,351	-	250,351
Interest	620,278	-	620,278
Differences between expected and actual experience	-	-	-
Changes in assumptions	-	-	-
Contributions-employer	-	753,911	(753,911)
Contributions-employee	-	-	-
Net investment income	-	182,896	(182,896)
Benefit payments	(345,139)	(345,139)	-
Administrative expense	-	-	-
Net changes	<u>525,490</u>	<u>591,668</u>	<u>(66,178)</u>
Balances at June 30, 2019	<u>\$ 14,229,767</u>	<u>\$ 5,247,291</u>	<u>\$ 8,982,476</u>

**SPRINGFIELD MASS TRANSIT DISTRICT**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended June 30, 2019 and 2018

**NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (cont.)**

***OPEB EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB***

For the year ended June 30, 2019 and 2018, the District recognized OPEB expense of \$687,735 and \$689,606 respectively. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2019 Deferred Outflows of Resources	2018 Deferred Outflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on OPEB plan investments	144,577	154,579
Employer contributions made subsequent to the measurement date	1,224,679	753,911
Total	\$ 1,369,256	\$ 908,490

Deferred outflows related to OPEB resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the subsequent year. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:

2020	\$ 45,806
2021	45,806
2022	45,805
2023	7,160
Thereafter	-
Total	\$ 144,577

# SPRINGFIELD MASS TRANSIT DISTRICT

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2019 and 2018

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### NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (cont.)

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#### *OPEB TRUST*

#### *Net OPEB Liability of the District*

The components of the net OPEB liability of the District at June 30, 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Total OPEB liability	\$ 14,229,767	\$ 13,704,277
Plan fiduciary net position	<u>5,247,291</u>	<u>4,655,623</u>
District's net OPEB liability	<u>\$ 8,982,476</u>	<u>\$ 9,048,654</u>
Plan fiduciary net position as a percentage of the total OPEB liability	36.88%	33.97%

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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. On July 1, 2015, the District purchased first dollar worker's compensation coverage for new claims.

For the year ended June 30, 2019, the District paid \$163,118 in full or partial settlement of various claims and paid an additional \$22,830 for claims adjustment and related legal services. In addition, \$501,194 had been provided, net of estimated subrogation rights, for estimated losses on 26 unsettled claims outstanding at the end of the year.

For the year ended June 30, 2018, the District paid \$132,238 in full or partial settlement of various claims and paid an additional \$74,896 for claims adjustment and related legal services. In addition, \$618,624 had been provided, net of estimated subrogation rights, for estimated losses on 17 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).

**SPRINGFIELD MASS TRANSIT DISTRICT**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended June 30, 2019 and 2018

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

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

	2019	2018
Amount of claims liabilities, at the beginning of the year	\$ 618,624	\$ 689,364
Incurring claims for the current year and changes in the provision for events of prior years	158,679	136,395
Payments of claims attributable to the current and prior years	(105,426)	(207,135)
Amount of Claims Liabilities, at the End of the Year	\$ 777,303	\$ 618,624

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	26,010,374 Aggregate	7/1/19
Employee Toolboxes	500,000 Aggregate	7/1/19
Commercial Automobile	4,000,000 Per Occurrence	7/1/19
Commercial General Liability	2,000,000 Aggregate	7/1/19
	1,000,000 Per Occurrence	7/1/19
Employee Benefits Liability	3,000,000 Aggregate	7/1/19
	1,000,000 Per Occurrence	7/1/19
Workers Compensation	500,000 Per Occurrence	7/1/19
General Liability	1,000,000 Per Occurrence	7/1/19
Employer's Liability	500,000 Per Occurrence	7/1/19
<i>Cincinnati Insurance</i>		
Vehicle Physical Damage	18,832,092 Aggregate	7/1/19

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, 2019 and 2018

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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, 2015 to June 30, 2016. 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 2017. In fiscal year 2018 this agreement is now with the Land of Lincoln Economic Development Corporation (EDC). The new agreement runs through April 30, 2019. SMTD has agreed to pay up to \$30,000 to the EDC as approved by the Board.

During fiscal year 2018, the District entered into an agreement with Sangamon County related to the construction contract for parking on two separate lots, an East lot on Adams Street Owned by Sangamon County and a West lot on Adams street owned by the District. The west lot will be leased by Sangamon County from the District and the East lot will be leased by the District upon completion of the West parking lot. The Construction contract will be administered by the District. The District will pay the contractor for the West Lot. The County agrees to reimburse the District for the construction costs associated with the West Lot, in an amount not to exceed \$249,767.07.

#### **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 OF A CHANGE IN ACCOUNTING PRINCIPLE

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The District adopted GASB Statement No. 75 effective July 1, 2017. The cumulative effect of implementation is reflected as a change in net position as follows:

GASB No. 45 OPEB asset	\$ 2,077
July 1, 2017 GASB No. 75 net OPEB liability	(9,596,853)
District contributions to OPEB made after the measurement date, July 1, 2017	<u>1,388,269</u>
Cumulative Effect of a Change in Accounting	<u>\$ (8,206,507)</u>

**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, 2018, 2017, 2016, 2015, and 2014

Calendar Year Ended December 31,	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>					
Service Cost	\$ 721,365	\$ 810,388	\$ 808,680	\$ 778,118	\$ 783,068
Interest on the Total Pension Liability	2,300,767	2,304,616	2,217,364	2,140,553	1,938,489
Changes of Benefit Terms	-	-	-	-	-
Differences Between Expected and Actual Experience of the Total Pension Liability	1,340,294	(253,099)	(220,505)	(372,237)	392,191
Changes of Assumptions	997,411	(1,045,383)	(38,987)	38,180	1,000,791
Benefit Payments, including Refunds of Employee Contributions	(1,931,578)	(1,715,072)	(1,571,968)	(1,500,605)	(1,335,128)
<b>Net Change in Total Pension Liability</b>	<u>3,428,259</u>	<u>101,450</u>	<u>1,194,584</u>	<u>1,084,009</u>	<u>2,779,411</u>
<b>Total Pension Liability - Beginning</b>	<u>31,281,999</u>	<u>31,180,549</u>	<u>29,985,965</u>	<u>28,901,956</u>	<u>26,122,545</u>
<b>Total Pension Liability - Ending (A)</b>	<u>\$ 34,710,258</u>	<u>\$ 31,281,999</u>	<u>\$ 31,180,549</u>	<u>\$ 29,985,965</u>	<u>\$ 28,901,956</u>
<b>Plan Fiduciary Net Position</b>					
Contributions - Employer	\$ 663,813	\$ 981,897	\$ 1,169,058	\$ 658,258	\$ 670,876
Contributions - Employees	354,443	321,987	328,613	333,546	310,710
Net Investment Income	(2,133,005)	5,382,920	1,901,586	143,042	1,674,448
Benefit Payments, including Refunds of Employee Contributions	(1,931,578)	(1,715,072)	(1,571,968)	(1,500,605)	(1,335,128)
Other (Net Transfer)	693,528	(750,726)	207,864	(715,970)	(84,827)
<b>Net Change in Plan Fiduciary Net Position</b>	<u>(2,352,799)</u>	<u>4,221,006</u>	<u>2,035,153</u>	<u>(1,081,729)</u>	<u>1,236,079</u>
<b>Plan Fiduciary Net Position - Beginning</b>	<u>34,037,246</u>	<u>29,816,240</u>	<u>27,781,087</u>	<u>28,862,816</u>	<u>27,626,737</u>
<b>Plan Fiduciary Net Position - Ending (B)</b>	<u>\$ 31,684,447</u>	<u>\$ 34,037,246</u>	<u>\$ 29,816,240</u>	<u>\$ 27,781,087</u>	<u>\$ 28,862,816</u>
<b>Net Pension Liability (Asset) - Ending (A) - (B)</b>	<u>\$ 3,025,811</u>	<u>\$ (2,755,247)</u>	<u>\$ 1,364,309</u>	<u>\$ 2,204,878</u>	<u>\$ 39,140</u>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	91.28%	108.81%	95.62%	92.65%	99.86%
<b>Covered Valuation Payroll</b>	\$ 7,876,504	\$ 7,155,258	\$ 7,302,495	\$ 7,305,587	\$ 6,910,358
<b>Net Pension Liability (Asset) as a Percentage of Covered Valuation Payroll</b>	38.42%	-38.51%	18.68%	30.18%	0.57%

\*GASB Statement No. 68 was implemented as of June 30, 2014. Information in this schedule will be presented on a prospective basis.

#### 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

## NOTES TO SCHEDULE

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### **Summary of Actuarial Methods and Assumptions Used in the Calculation of the 2018 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 2018 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>	27-year closed period
<i>Asset Valuation Method:</i>	5-year smoothed market; 20% corridor
<i>Wage Growth:</i>	3.50%
<i>Price Inflation:</i>	2.75%, approximate; No explicit price inflation assumption is used in this valuation.
<i>Salary Increases:</i>	3.75% to 14.50%, 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 2014 valuation pursuant to an experience study of the period 2011 to 2013.
<i>Mortality:</i>	For retirees, an IMRF specific mortality table was used with fully generated projection scale MP-2014 (base year 2012). For non-disabled retirees, the IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, 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, the IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

#### **Other Information:**

Notes: There were no benefit changes during the year.

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

See accompanying independent auditors' report.

# SPRINGFIELD MASS TRANSIT DISTRICT

## DEFINED BENEFIT PENSION PLAN – REQUIRED SUPPLEMENTARY INFORMATION UNAUDITED

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### Schedule of Employer Contributions For the Year Ended June 30, 2019, 2018, 2017, 2016, 2015 & 2014

<u>Fiscal Year Ended June 30,</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	-	6,910,358	10%
2015	685,651	685,651	-	6,809,007	10%
2016	1,137,580	1,137,580	-	6,626,856	17%
2017	999,568	999,568	-	6,894,788	14%
2018	637,808	637,808	-	6,989,415	9%
2019	663,813	663,813	-	7,672,953	9%

See accompanying independent auditors' report.

## SPRINGFIELD MASS TRANSIT DISTRICT

### OTHER POSTEMPLOYMENT BENEFIT PLAN – REQUIRED SUPPLEMENTARY INFORMATION

#### Schedule of Changes in the Net OPEB Liability and Related Ratios For Plan Fiscal Years ended June 30, 2019\*\*

	2019	2018	2017
<b>Total OPEB Liability</b>			
Service Cost	\$ 250,351	\$ 239,570	\$ 779,778
Interest	620,278	597,166	417,026
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience	-	-	-
Changes of Assumptions	-	-	-
Benefit Payments, including Refunds of Employee Contributions	(345,139)	(322,917)	(320,495)
<b>Net Change in Total OPEB Liability</b>	<u>525,490</u>	<u>513,819</u>	<u>876,309</u>
<b>Total OPEB Liability - Beginning</b>	<u>13,704,277</u>	<u>13,190,458</u>	<u>12,314,149</u>
<b>Total OPEB Liability - Ending (A)</b>	<u><u>\$ 14,229,767</u></u>	<u><u>\$ 13,704,277</u></u>	<u><u>\$ 13,190,458</u></u>
<b>Trust Net Position</b>			
Contributions - Employer	\$ 753,911	\$ 1,392,384	\$ 903,684
Contributions - Employees	-	-	-
Net Investment Income (loss)	182,896	(7,449)	229,864
Administrative expenses	-	-	-
Benefit Payments, including Refunds of Employee Contributions	(345,139)	(322,917)	(320,495)
Other	-	-	-
<b>Net Change in Net Position Held in Trust</b>	<u>591,668</u>	<u>1,062,018</u>	<u>813,053</u>
<b>Trust Net Position - Beginning</b>	<u>4,655,623</u>	<u>3,593,605</u>	<u>2,780,552</u>
<b>Trust Net Position - Ending (B)</b>	<u><u>\$ 5,247,291</u></u>	<u><u>\$ 4,655,623</u></u>	<u><u>\$ 3,593,605</u></u>
<b>Net OPEB Liability - Ending (A) - (B)</b>	\$ 8,982,476	\$ 9,048,654	\$ 9,596,853
<b>Trust Fiduciary Net Position as a Percentage of Total OPEB Liability</b>	36.88%	33.97%	27.24%
<b>Covered Employee Payroll</b>	\$ 5,531,169	\$ 5,264,646	\$ 6,894,788
<b>Net OPEB Liability as a Percentage of Covered Employee Payroll</b>	162.40%	171.88%	139.19%

\*GASB Statement No. 74 was implemented as of June 30, 2017. Information in this schedule will be presented on a prospective basis.

\*\*The District liability as of June 30, 2019 is based on plan year ended June 30, 2018.

# SPRINGFIELD MASS TRANSIT DISTRICT

## NOTES TO SCHEDULE

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### ***Actuarial valuation information relative to the determination of contributions:***

***Valuation Date:*** June 30, 2017 and 2018

### **Methods and Assumptions Used to Determine Contribution Rates:**

<i>Actuarial Cost Method:</i>	Entry age normal
<i>Asset Valuation Method:</i>	Market Value
<i>Price Inflation:</i>	2.50%
<i>Healthcare Cost Trend Rates:</i>	8.5% initial, decreasing to an ultimate rate of 4.0%
<i>Salary Increases:</i>	2.50% annually
<i>Investment Rate of Return:</i>	4.50%
<i>Mortality:</i>	Actives: RP-2014 Total Dataset Mortality Tables with fully generational improvement using Scale MP-2017  Healthy Retirees, Beneficiaries and Covered Spouses: RP-2014 Mortality Tables with Blue Collar adjustment and fully generational improvement using Scale MP-2017  Disabled Members: RP-2014 Disabled Annuitant Mortality Tables with fully generational improvement using Scale MP-2017

## SPRINGFIELD MASS TRANSIT DISTRICT

### OTHER POSTEMPLOYMENT BENEFIT PLAN – REQUIRED SUPPLEMENTARY INFORMATION

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#### Schedule of Sponsor Contributions For the Year Ended June 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 957,242	\$ 829,047	\$ 860,074
Contributions in relation to the actuarially determined contribution	<u>1,224,679</u>	<u>753,911</u>	<u>1,392,371</u>
Contribution deficiency (excess)	<u>\$ (267,437)</u>	<u>\$ 75,136</u>	<u>\$ (532,297)</u>
Covered-employee payroll	\$ 5,531,169	\$ 5,264,646	\$ 6,894,788
Contributions as a percentage of covered-employee payroll	22.14%	14.32%	20.19%

\*GASB Statement No. 74 was implemented as of June 30, 2017. Information in this schedule will be presented on a prospective basis.

# SPRINGFIELD MASS TRANSIT DISTRICT

## OTHER POSTEMPLOYMENT BENEFIT PLAN – REQUIRED SUPPLEMENTARY INFORMATION

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### Schedule of Investment Returns For the Year Ended June 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	4.07%	4.07%	5.40%

\*GASB Statement No. 74 was implemented as of June 30, 2017. Information in this schedule will be presented on a prospective basis.

**SUPPLEMENTAL INFORMATION**

**SPRINGFIELD MASS TRANSIT DISTRICT**

SCHEDULE OF FIXED ROUTE OPERATING EXPENSES BEFORE DEPRECIATION  
For the Year Ended June 30, 2019

	Vehicle Operations	Vehicle Maintenance	Facilities Maintenance	General Administration	Total 2019	Total 2018
<b>LABOR</b>						
Operator's salaries and wages	\$ 4,222,081	\$ -	\$ -	\$ -	\$ 4,222,081	\$ 3,555,972
Operator's paid absences	523,422				523,422	\$ 553,659
Other salaries and wages	669,420	946,839	76,884	562,701	2,255,844	1,973,296
Other paid absences	-	188,527	9,251	88,759	286,537	264,572
<b>FRINGE BENEFITS</b>	1,873,392	577,697	-	485,097	2,936,186	3,276,569
<b>SERVICES</b>						
Advertising fees	-	-	-	105,694	105,694	44,980
Professional technical services	-	-	-	147,999	147,999	222,602
Contract maintenance service	-	-	52,734	-	52,734	56,128
Custodial services	-	-	19,304	-	19,304	23,384
Security services	-	-	-	7,159	7,159	3,518
Other services	-	-	-	166,996	166,996	91,104
<b>MATERIAL AND SUPPLIES CONSUMED</b>						
Fuel and lubricants	672,348	22,067	-	-	694,415	613,825
Tires and tubes	103,435	-	-	-	103,435	91,514
Other materials and supplies	-	590,206	116,955	75,248	782,409	1,092,662
<b>UTILITIES</b>	-	-	-	268,602	268,602	251,921
<b>CASUAL AND LIABILITY COSTS</b>						
Premiums for excess liability coverage	-	-	-	168,972	168,972	157,167
Premiums for physical damage insurance	-	-	-	78,046	78,046	70,604
Recoveries of physical damage losses	-	-	-	(10,823)	(10,823)	(37,461)
Premiums for other corporate insurance	-	-	-	32,112	32,112	35,676
Uninsured losses, net of recoveries	-	-	-	105,426	105,426	40,891
<b>LICENSES AND TAXES</b>						
Vehicle licensing and registration fees	976	-	3,278	-	4,254	17,586
<b>MISCELLANEOUS EXPENSES</b>						
Travel and meetings	-	-	-	30,958	30,958	28,384
Dues and subscriptions	-	-	-	38,716	38,716	56,536
Other	-	-	-	318,030	318,030	54,823
<b>LEASE EXPENSE</b>	-	-	-	75,366	75,366	8,665
<b>TOTALS</b>	<u>\$ 8,065,074</u>	<u>\$ 2,325,336</u>	<u>\$ 278,406</u>	<u>\$ 2,745,058</u>	<u>\$ 13,413,874</u>	<u>\$ 12,548,577</u>

This schedule does not include University of Illinois at Springfield (UIS) service operating expenses. The program was fully funded by Federal Operating Grant IL-90-X651-00.



**SPRINGFIELD MASS TRANSIT DISTRICT**

SCHEDULE OF PARATRANSIT OPERATING EXPENSES BEFORE DEPRECIATION  
For the Year Ended June 30, 2019

	Vehicle Operations	Vehicle Maintenance	Facilities Maintenance	General Administration	Total 2019	Total 2018
<b>LABOR</b>						
Operator's salaries and wages	\$ 681,051	\$ -	\$ -	\$ -	\$ 681,051	\$ 606,563
Operator's paid absences	35,278				35,278	32,575
Other salaries and wages	191,455	37,664	-	49,605	278,724	272,608
Other paid absences	18,712		-	8,113	26,825	32,313
<b>FRINGE BENEFITS</b>	284,766	14,485	-	30,942	330,193	356,156
<b>SERVICES</b>						
Advertising fees	-	-	-	-	-	2,087
Professional technical services	-	-	-	10,447	10,447	37,000
Contract maintenance service	-	-	17,031	-	17,031	6,527
Custodial services	-	-	2,119	-	2,119	2,494
Security services	-	-	-	-	-	-
Other services	-	-	-	20,396	20,396	27,490
<b>MATERIAL AND SUPPLIES CONSUMED</b>						
Fuel and lubricants	182,027	1,993	-	-	184,020	156,516
Tires and tubes	14,579	-	-	-	14,579	20,235
Other materials and supplies	-	107,301	12,995	5,146	125,442	146,901
<b>UTILITIES</b>	-	-	-	38,047	38,047	35,954
<b>CASUAL AND LIABILITY COSTS</b>						
Premiums for excess liability coverage	-	-	-	18,775	18,775	17,463
Premiums for physical damage insurance	-	-	-	8,671	8,671	7,753
Recoveries of physical damage losses	-	-	-	-	-	(6,750)
Uninsured losses, net	-	-	-	(51,379)	(51,379)	41,771
<b>LICENSES AND TAXES</b>						
Vehicle licensing and registration fees	-	-	-	-	-	765
<b>MISCELLANEOUS EXPENSES</b>						
Travel and meetings	-	-	-	540	540	3,205
Dues and subscriptions	-	-	-	4,168	4,168	6,276
Other	-	-	-	2,742	2,742	2,127
<b>LEASE EXPENSE</b>	-	-	-	658	658	767
<b>TOTALS</b>	<u>\$ 1,407,868</u>	<u>\$ 161,443</u>	<u>\$ 32,145</u>	<u>\$ 146,871</u>	<u>\$ 1,748,327</u>	<u>\$ 1,808,796</u>

This schedule does not include University of Illinois at Springfield (UIS) service operating expenses. The program was fully funded by Federal Operating Grant IL-90-X651-00.

# SPRINGFIELD MASS TRANSIT DISTRICT

## COMPUTATION OF FEDERAL OPERATING ASSISTANCE For the Year Ended June 30, 2019

Projects 1187-2019-1, IL-2017-009-00, and IL90-X728 (Operating)	Actual Project Cost
Total Operating Expenses (excluding depreciation)	
Salaries and labor	\$ 7,437,700
Benefits	3,266,379
Services	549,879
Materials and supplies	1,904,300
Utilities	306,649
Casualty and liability insurance and losses	349,800
Taxes and licenses	-
Leases and rentals	76,024
Miscellaneous	395,154
Total	14,285,885
Adjustments and Eliminations	
Unfunded portion of GASB 68 expense	14,995
Q5 and federally funded equipment	341,446
Other income	80,520
Trustees' fees	33,600
Planning costs	31,968
Total	502,529
Net Eligible Expenses	13,783,356
Less: Passenger revenues	998,188
Interest on invested working capital	138,401
Interest on property taxes	1,657
Total	1,138,246
NET PROJECT COST	\$ 12,645,110
Local Share	
State operating assistance	\$ 9,907,647
Local property taxes	2,758,867
Advertising revenues	145,099
Total	\$ 12,811,613
Federal Assistance Limitation (lesser of)	
50% of net project cost	\$ 6,322,555
Local share	\$ 12,811,613
Grant award IL-2017-009-00	\$ 19,767
Grant award IL-90-X712	76,391
Grant award 1187-2019-1	2,062,005
Total Grant Awards	2,158,163
BALANCE DUE FROM (TO) FEDERAL TRANSIT ADMINISTRATION	\$ 2,158,163

**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 proprietary and fiduciary funds of the Springfield Mass Transit District, Illinois as of and for the year ended June 30, 2019 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 December 23, 2019.

***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 opinions 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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a material weakness.

### ***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*.

### ***The Springfield Mass Transit District's Response to Finding***

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  
December 23, 2019

REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL  
CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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 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, 2019. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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.

### ***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, 2019.

### ***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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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.

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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### ***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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Baker Tilly Virchow Krause, LLP*

Madison, Wisconsin  
December 23, 2019

**SPRINGFIELD MASS TRANSIT DISTRICT**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2019

Federal Agency/Pass-Through Agency/Program or Cluster Title	Federal CFDA Number	Local Agency Contract Number	Federal Expenditures
<b>U.S. Department of Transportation</b>			
Federal Transit Cluster			
Direct Program:			
Federal Transit Formula Grants	20.507	IL-2018-026-00	\$ 8,810
Federal Transit Formula Grants	20.507	1187-2019-1	2,062,008
Federal Transit Formula Grants	20.507	IL-2017-009-00	19,767
Federal Transit Formula Grants	20.507	IL-2016-004-00	181,682
Federal Transit Formula Grants	20.507	IL-90-X704-01	131,523
Federal Transit Formula Grants	20.507	IL-90-X744-00	421,819
Federal Transit Formula Grants	20.507	IL-90-X636-00	<u>76,391</u>
Total Federal Transit Formula Grants			<u>2,902,000</u>
Federal Transit Capital Investment Grant	20.500	IL-04-0013-02	4,140
Federal Transit Capital Investment Grant	20.500	IL-04-0086-00	220,291
Federal Transit Capital Investment Grant	20.500	IL-04-0069-00	<u>519,450</u>
Total Federal Transit Capital Investment Grants			<u>743,881</u>
Total Federal Transit Cluster			<u>3,645,881</u>
Clean Fuels	20.519	IL-2018-020-00	<u>91,846</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b><u>\$ 3,737,727</u></b>

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, 2019

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### NOTE 1 – BASIS OF PRESENTATION

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The accompanying schedule of expenditures of federal awards (the “schedule”) includes the federal grant activity of Springfield Mass Transit District under programs of the federal government for the year ended June 30, 2019. The information in this schedule is presented in accordance with the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the district, it is not intended to and does not present the financial position, changes in net position or cash flows of the district.

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### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (MODIFY AS APPROPRIATE)

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Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance (and OMB circular A-87/A-21/A-122, if applicable), wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The underlying accounting records are maintained on the accrual basis of accounting. Revenues are recorded when susceptible to accrual, i.e., when earned. Expenditures are recorded when the liability is incurred.

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### NOTE 3 – 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	\$	2,158,163
Capital assistance - Federal		<u>1,579,564</u>
	\$	<u><u>3,737,727</u></u>

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### NOTE 4 – INDIRECT COST RATE

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The District has elected not to use the 10% de minimis indirect cost rate.

# SPRINGFIELD MASS TRANSIT DISTRICT

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended June 30, 2019

### SECTION I – SUMMARY OF AUDITORS’ RESULTS

#### *FINANCIAL STATEMENTS*

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- > Material weakness(es) identified?              X   yes                   no
- > Significant deficienc (ies) identified?               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 deficienc (ies) identified?               yes              X   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 2 CRF 200.516(a) of the Uniform Guidance?                   yes              X   no

Auditee qualified as low-risk auditee?              X   yes                   no

Identification of major federal program:

<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

Dollar threshold used to distinguish between type A and type B programs:                  \$750,000

# SPRINGFIELD MASS TRANSIT DISTRICT

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended June 30, 2019

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

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#### *FINDING 2019-001: FINANCIAL REPORTING*

**Criteria:** AU Section 325, *Communicating Internal Control Related Matters Identified in an Audit*, requires auditors to report a weakness if the District is not able to prepare its year-end financial statements, including the statement of cash flows and all footnote disclosures; prepare the schedule of expenditures of federal awards; or has material journal entries.

**Condition:** We, as your auditors, prepared the financial statements. In addition, for fiscal year 2019 we identified material journal entries related to complex areas including grant revenues as part of the audit process.

**Cause:** The accounting department has a limited number of staff and employees do not have the time available or certain specialized expertise required to prepare GAAP financial statements or certain unique year-end adjustments.

**Effect:** Without adequate internal control over financial reporting, the financial statements may not contain all of the required disclosures and account balances if prepared by Springfield Mass Transit District. As a result, the annual financial statements as included in this report are not available to the District until they are completed by the auditors.

**Recommendation:** We recommend that the District continue to review its resources and processes and evaluate the potential benefits associated with increased financial reporting capabilities and reviews. We note the number of year-end adjustments has decreased in recent years and management has increased their involvement in the reporting process.

**Management's Response:** Management is aware of the situation and will continue to review the current process to identify areas to improve controls over financial reporting

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

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None reported.

**ILINOIS DEPARTMENT OF TRANSPORTATION**

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, 2019. Springfield Mass Transit District's state financial assistance is identified in the Schedule of Revenue and Expense under Downstate Operating Assistance Grant OP-19-05-IL. 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.

***Opinion on Compliance***

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, 2019.

***Purpose of the Report***

This report is intended solely for the information and use of the Springfield Mass Transit District's Board of Trustees, management, and the Department of Transportation and is not intended to be and should not be used by anyone other than these specified parties.

*Baker Tilly Virchow Krause, LLP*

Madison, Wisconsin  
December 23, 2019

## SPRINGFIELD MASS TRANSIT DISTRICT

### SCHEDULE OF REVENUE AND EXPENSE UNDER DOWNSTATE OPERATING ASSISTANCE GRANT OP-19-05-IL For the Year Ended June 30, 2019

<b>OPERATING REVENUES AND INCOME</b>		
401	Passenger fares for transit services	\$ 757,149
402	Special transit fares	241,038
406	Auxiliary revenue	145,099
407	Non-transportation revenue	220,578
413	Federal cash grants and reimbursement*	<u>2,158,163</u>
	Total Operating Revenues	<u>\$ 3,522,027</u>
<b>OPERATING EXPENSES</b>		
501	Labor	\$ 8,308,723
502	Fringe benefits**	3,677,968
503	Professional services	679,149
504	Materials and supplies consumed	1,968,438
505	Utilities	306,649
506	Casualty and liability	349,800
507	Taxes	4,254
509	Miscellaneous expense	257,070
512	Leases, rentals, and purchase-lease payments	76,024
517	Debt Service Projects	<u>-</u>
	Total Operating Expenses	15,628,075
	Ineligible Expenses	
	APTA and IPTA dues	\$ 3,500
	Other (JARC funded routes)	-
	Other (Single Audit)	25,600
	Other (Federally Funded Projects)	300,728
	Other (Q5, misc., etc.)	40,718
	Unfunded portion of GASB 68 Expense	<u>14,995</u>
	Less: Total ineligible expenses	<u>385,541</u>
	Total Eligible Operating Expenses	15,242,534
	Total Operating Revenue and Income	<u>3,522,027</u>
	Deficit	<u>\$ 11,720,507</u>
	65% of Eligible Expenses	<u>\$ 9,907,647</u>
	Maximum Contract Amount	<u>\$ 12,325,687</u>
	Eligible FY19 Downstate Operating Assistance (Deficit, 65% of eligible expenses, or maximum contract amount, whichever is less)	<u>\$ 9,907,647</u>
	FY19 Downstate Operating Assistance Received (prior to close of fiscal year)	<u>\$ 10,227,458</u>
	FY19 Downstate Operating Assistance Receivable/(Payable) (at close of fiscal year and subsequently received/(paid))	<u>\$ (319,811)</u>

\*Excludes IL-90-X712 grant

\*\*Includes actual payments for pensin and OPEB.