

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, 2017 and 2016

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 Springfield Mass Transit District, as of and for the years ended June 30, 2017 and 2016, 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.

To the Board of Trustees
Springfield Mass Transit District

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 Springfield Mass Transit District as of June 30, 2017 and 2016, 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 Management's Discussion and Analysis and schedules as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules of Fixed Route Operating Expenses Before Depreciation, Paratransit Operating Expenses Before Depreciation, UIS Operating Expenses Before Depreciation, Computation of Federal Operating Assistance, and Schedule of Expenditures of Federal Awards as listed in the table of contents are presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purpose 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 also 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.

To the Board of Trustees
Springfield Mass Transit District

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have issued our report dated November 20, 2017 on our consideration of the Springfield Mass Transit District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Springfield Mass Transit District's internal control over financial reporting and compliance.

Baker Tilly Virchow Krause, LLP

Madison, Wisconsin
November 20, 2017

**SPRINGFIELD MASS TRANSIT DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
Year Ending June 30, 2017**

About Springfield Mass Transit District (SMTD) and ACCESS Springfield

The Springfield Mass Transit District (SMTD) provides fixed-route bus transportation throughout the greater Springfield area Monday through Saturday. Service begins around 6:00 a.m. (varies by route). Buses pulse at the Downtown transfer center to allow timely transfers between routes. Daytime service is provided on 16 routes Monday through Saturday. Buses run every 30 minutes during peak hours on most routes. Most buses leave the transfer center at 15 minutes before and 15 minutes after each hour. Buses are wheelchair lift equipped. Four routes operate in night service Monday through Saturday, with the first bus leaving the transfer center at 6:45 p.m. and the last bus leaving at 9:45 p.m. Night service Route 904, which ran in the reverse direction of Route 903, was discontinued in January 2017, along with the last hour of night service on all routes. These cancelations were due to budget uncertainty in the midst of the State of Illinois budget impasse. These services have not yet been restored due to plans to implement an entirely new route system in 2018.

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

A seven member Board of Trustees is appointed by the Sangamon County Board of Supervisors to oversee the policies and operations of the District. The Trustees are appointed to serve staggered 5-year terms. The Board of Trustees are as follows: Brian Brewer, Chairperson; Susan Davsko, Vice-Chairperson; Leslie McCarthy, Secretary; Karen Hasara, Treasurer; Jerry Doss, Trustee; Sandra Douglas, Trustee; Wynne Coplea, Trustee.

About the Financial Statements of Springfield Mass Transit District:

The financial statements of the Springfield Mass Transit District (the “District”) are presented on a proprietary fund basis. Accounting principles used are similar to principles applicable in the private sector. The District’s annual report consists of the Statements of Net Position on page 2 the Statements of Revenue, Expenses and Changes in Net Position on page 3, and the Statements of Cash Flows on page 7. These statements are the measures used to evaluate the short-term and long-term outlook of the District’s finances and are used in conjunction with the Annual Budget and Appropriations Ordinance, which is the District’s financial plan for the fiscal year.

The Statements of Net Position:

The Statements of Net Position presents assets, deferred outflows, liabilities and deferred inflows of the District similar to the private sector on an accrual basis. Revenues and expenses are recognized when incurred rather than when cash is paid or received. The difference between assets and liabilities as reflected on the Statements of Net Position represents the financial position of the District or the Net Position. A comparative analysis of the District’s Net Position is presented below (Table 1).

Table 1
Net Position
(In Thousands)

	<u>FY17</u>	<u>FY16</u>	<u>FY15</u>
Current and other assets	\$ 9,883	\$ 9,780	\$ 10,028
Non-Current assets	1,147	2,193	1,275
Capital assets	<u>23,774</u>	<u>22,455</u>	<u>22,831</u>
Total assets	<u>34,804</u>	<u>34,428</u>	<u>34,134</u>
Pension deferred outflows	<u>2,724</u>	<u>3,498</u>	<u>1,754</u>
Current and other liabilities	2,395	2,828	2,548
Noncurrent liabilities	<u>1,364</u>	<u>2,740</u>	<u>622</u>
Total liabilities	<u>3,759</u>	<u>5,568</u>	<u>3,170</u>
Pension deferred inflows	<u>436</u>	<u>299</u>	<u>-</u>
Net Position			
Net investment in capital assets	23,774	22,455	22,831
Unrestricted	<u>9,559</u>	<u>9,604</u>	<u>9,887</u>
Total Net Position	<u>\$ 33,333</u>	<u>\$ 32,059</u>	<u>\$ 32,718</u>

For the year ending June 30, 2017:

- Unrestricted Net Position used to finance the District operations decreased by .47% (\$9,559 in FY17 compared to \$9,604 in FY16); a decrease of \$45 thousand.
- The District's Net Position increased by 3.97% (\$33,333 in FY17 compared to \$32,059 in FY16).

For the year ending June 30, 2016:

- Unrestricted Net Position used to finance the District operations decreased by 2.9% (\$9,604 in FY16 compared to \$9,887 in FY15); a decrease of \$283 thousand.
- The District's Net Position decreased by 2.01% (\$32,059 in FY16 compared to \$32,718 in FY15).

Table 2
Changes in Net Position
(In Thousands)

	<u>FY17</u>	<u>FY16</u>	<u>FY15</u>
Operating revenues			
Fares	\$ 1,145	\$ 1,234	\$ 1,298
Charter services	-	-	-
Advertising revenue	114	124	106
Total operating revenue	1,259	1,358	1,404
Total operating expenses before depreciation	14,102	14,422	14,217
Depreciation	1,913	1,740	1,825
Loss from operations	<u>(14,756)</u>	<u>(14,804)</u>	<u>(14,638)</u>
Non-operating revenues (expenses)			
Local taxes	2,647	2,603	2,569
State/Fed operating assistance	10,406	10,211	10,422
Investment income	44	56	40
Other income (expense)	(206)	(18)	(110)
CNG Fuel Rebate	-	22	25
Total non-operating revenues	12,891	12,874	12,946
Capital contributions	<u>3,139</u>	<u>1,270</u>	<u>2,295</u>
Increase in Net Position	<u>1,274</u>	<u>(659)</u>	<u>603</u>
Beginning Net Position	<u>32,059</u>	<u>32,718</u>	<u>31,294</u>
Cumulative effect of change in Accounting principle	<u>-</u>	<u>-</u>	<u>821</u>
Ending Net Position	<u>\$ 33,333</u>	<u>\$ 32,059</u>	<u>\$ 32,718</u>

For the year ending June 30, 2017:

- The District's operating revenue decreased by 7.29% (\$99 thousand) from \$1,358 thousand in FY16 to \$1,259 thousand in FY17.
- Advertising revenue decreased by 8.06% (\$10 thousand) from \$124 thousand in FY16 to \$114 thousand in FY17.
- Local taxes increased by 1.69% (\$44 thousand) from \$2,603 thousand in FY16 to \$2,647 thousand in FY17. The tax receipts automatically grow based on the CPI from the previous year.
- Replacement tax increased by 10.49% (\$15 thousand) from \$143 thousand in FY16 to \$158 thousand in FY17.
- State and Federal operating assistance increased by 1.91% (\$195 thousand) from \$10,211 thousand in FY16 to \$10,406 thousand in FY17. The formula for downstate operating expenses is 65% of eligible operating expense subject to the maximum annual appropriation and limited further by a comparison to the eligible deficit.

- Capital grant revenue increased by 147.17% (\$1,869 thousand) from \$1,270 thousand in FY16 to \$3,139 in FY17. The increase in FY17 is due to the purchase of Real Property which includes the Horace Mann employee parking lot (Washington Street) and the Greco industrial building (Adams Street). It also includes the demolition costs associated with the Greco building and the Bunn building (Adams Street), which was purchased in FY15. These properties were purchased for the Multi-Modal facility.
- The average interest rate earned on District funds invested in the Illinois Funds Investment Pool increased in FY17. The average rate for FY17 was .587% while the average rate for FY16 was .161%.
- Investment income decreased by 21.43% (\$12 thousand) from \$56 thousand in FY16 to \$44 thousand in FY17.
- Total operating expenses decreased by 2.22% (\$320 thousand) from \$14,422 thousand in FY16 to \$14,102 thousand in FY17.
- Labor and fringe benefits decreased by 2.75% (\$298 thousand) from \$10,844 thousand in FY16 to \$10,546 thousand in FY17.
 - Salaries and wages paid, including vacation, sick, and holiday, increased by 3.36% (\$233 thousand) from \$6,942 thousand in FY16 to \$7,175 thousand in FY17. This is partially due to several retirees receiving IMRF payouts.
 - Fringe benefits decreased by 14.27% (\$557 thousand) from \$3,902 thousand in FY16 to \$3,345 thousand in FY17.
 - The IMRF employer rate decreased 1.13% (8.88% in FY16 to 8.78% in FY17).
 - Workers compensation claims increased by 71.43% from (\$252) thousand in FY16 to (\$72) thousand in FY17.
 - A first-dollar Workman’s Comp policy was purchased, in FY16, thus eliminating any new claims.
 - As of June 30, 2017, there were 6 open workers compensation claims, with ending reserves at \$111 thousand.
- Service expenses decreased by 9.13% (\$63 thousand) from \$690 thousand in FY16 to \$627 thousand in FY17.
 - Legal fees decreased by 9.29% (\$13 thousand) from \$153 thousand in FY16 to \$140 thousand in FY17.
 - Claims service fees decreased by 5.75% (\$6 thousand) from \$87 thousand in FY16 to \$82 thousand in FY17.
 - Other services decreased by 7.77% (\$8 thousand) from \$103 thousand in FY16 to \$95 thousand in FY17.
- Bus parts and supplies increased by 10.08% (\$170 thousand) from \$1,687 in FY16 to \$1,857 in FY17.
 - Fuel increased by 28.37% (\$122 thousand) from \$430 thousand in FY16 to \$552 thousand in FY17.
- Insurance and Liability claims decreased by 15.58% (\$124 thousand) from \$796 thousand in FY16 to \$672 thousand in FY17.
 - Liability Claims decreased by 38.96% (\$90 thousand) from \$231 thousand in FY16 to \$141 thousand in FY17.
 - As of June 30, 2017, there were 18 open liability claims with ending reserves at \$233 thousand.

- Taxes, leases, and miscellaneous expense, combined, decreased by 7.91% (\$11 thousand) from \$139 thousand in FY16 to \$128 thousand in FY17; non-exempt property taxes on land purchased (\$14 thousand), SMART (\$0 thousand), employee expenses (\$8 thousand) and miscellaneous/license/registration fees (\$101 thousand), equipment leases (\$5 thousand).

For the year ending June 30, 2016:

- The District's operating revenue decreased by 3.28% (\$46 thousand) from \$1,404 thousand in FY15 to \$1,358 thousand in FY16.
- Advertising revenue increased by 16.93% (\$18 thousand) from \$106 thousand in FY15 to \$124 thousand in FY16.
- Local taxes increased by 1.35% (\$35 thousand) from \$2,569 thousand in FY15 to \$2,603 thousand in FY16. The tax receipts automatically grow based on the CPI from the previous year.
- Replacement tax decreased by 8.45% (\$13 thousand) from \$156 thousand in FY15 to \$143 thousand in FY16.
- State and Federal operating assistance decreased by 2.02% (\$211 thousand) from \$10,422 thousand in FY15 to \$10,211 thousand in FY16. The formula for downstate operating expenses is 65% of eligible operating expense subject to the maximum annual appropriation and limited further by a comparison to the eligible deficit.
- Capital grant revenue decreased by 44.66% (\$1,025 thousand) from \$2,295 thousand in FY15 to \$1,270 in FY16. FY16 included the completion of multiple projects brought forth from FY15: a new CNG station, a new service truck, ADA concrete pads/shelters and a bus vacuum. The majority of the funds, for these projects, were drawn down in FY15.
- The average interest rate earned on District funds invested in the Illinois Funds Investment Pool increased in FY16. The rate for FY16 was .161% while the rate for FY15 was .017%.
- Investment income increased by 37.58% (\$15 thousand) from \$40 thousand in FY15 to \$56 thousand in FY16. The increase is attributable to the investment in rising rate CD's and bonds.
- Total operating expenses increased by 1.44% (\$205 thousand) from \$14,217 thousand in FY15 to \$14,422 thousand in FY16.
- Labor and fringe benefits increased by 2.95% (\$311 thousand) from \$10,533 thousand in FY15 to \$10,844 thousand in FY16.
 - Salaries and wages paid, including vacation, sick, and holiday, decreased by 1.23% (\$87 thousand) from \$7,029 thousand in FY15 to \$6,942 thousand in FY16, attributable to a reduction in overtime.
 - Fringe benefits increased by 13.55% (\$465 thousand) from \$3,436 thousand in FY15 to \$3,902 thousand in FY16.
 - The IMRF employer rate increased .57% (8.83% in FY15 to 8.88% in FY16).
 - Workers compensation claims decreased by 171.61% from \$351 thousand in FY15 to (\$252) thousand in FY16.
 - A first-dollar Workman's Comp policy was purchased, in FY16, thus eliminating any new claims.

- As of June 30, 2016, there were 13 open workers compensation claims, with ending reserves at \$213 thousand.
- Service expenses decreased by 23.16% (\$208 thousand) from \$898 thousand in FY15 to \$690 thousand in FY16.
 - Legal fees decreased by 21.31% (\$41 thousand) from \$194 thousand in FY15 to \$153 thousand in FY16, attributable to the purchase of the first-dollar coverage Work Comp policy.
 - Claims service fees decreased by 12.34% (\$12 thousand) from \$100 thousand in FY15 to \$87 thousand in FY16, attributable to the purchase of the first-dollar coverage Work Comp policy.
 - Other services decreased by 53.35% (\$118 thousand) from \$221 thousand in FY15 to \$103 thousand in FY16. Almost \$151.2 thousand was expended during FY15 for survey work to locate sites for the installation of ADA bus pads; this project was completed prior to the beginning of FY16.
- Bus parts and supplies decreased by 6.85% (\$124 thousand) from \$1,811 in FY15 to \$1,687 in FY16.
 - Bus parts decreased by 20.14% (\$126 thousand) from \$627 thousand in FY15 to \$501 thousand in FY16.
 - Fuel decreased by 21.41% (\$117 thousand) from \$547 thousand in FY15 to \$430 thousand in FY16.
- Insurance and Liability claims increased by 47.05% (\$255 thousand) from \$542 thousand in FY15 to \$796 thousand in FY16, attributable to the purchase of a first-dollar coverage Work Comp policy.
 - Liability Claims increased by 14.20% (\$29 thousand) from \$202 thousand in FY15 to \$231 thousand in FY16.
 - As of June 30, 2016, there were 27 open liability claims with ending reserves at \$214 thousand.
- Taxes, leases, and miscellaneous expense, combined, decreased by 19.65% (\$34 thousand) from \$173 thousand in FY15 to \$139 thousand in FY16; non-exempt property taxes on land purchased (\$4 thousand), SMART (\$0 thousand), employee expenses (\$17 thousand) and miscellaneous/license/registration fees (\$111 thousand), equipment leases (\$7 thousand).

Table 3
Annual Budget and Appropriations Ordinance
(In Thousands)

	<u>Budget</u>	<u>Actual</u>
Passenger revenue	\$1,283	\$1,145
Advertising revenue	120	114
Rental Income	-	4
Investment income	65	44
Other income	6	4
Tax levy income	2,512	2,489
Replacement tax revenue	150	158
State operating assistance	10,632	9,150
Federal operating assistance	<u>1,182</u>	<u>1,182</u>
Total revenue	<u>\$15,950</u>	<u>\$14,290</u>
Salaries, labor, and benefits	\$10,973	\$10,546
Services	783	627
Material and supplies	1,761	1,857
Utilities	289	272
Casualty and liability insurance and losses	729	672
Taxes and license	8	15
Leases	9	4
Miscellaneous	<u>525</u>	<u>109</u>
Total operating expenses before depreciation	<u>\$15,077</u>	<u>\$14,102</u>

Budgetary Highlights (Table 3)

- The District's actual resources available for appropriations for the year were \$1,660 thousand below the budget, \$14,290 actual, compared to \$15,950 budgeted.
 - The State operating assistance was \$1,482 thousand under budget
- Materials and supplies were \$98 thousand over budget due to the replacement of key components on mainline buses in order to keep them in service past their useful life. This was necessary due to the budget impasse which prevented SMTD from purchasing replacement buses.
- Casualty and liability insurance and losses were under budget by \$57 thousand.
- Miscellaneous expenses were under budget by \$416 thousand due to delays in the start-up of the SMART service, which is intended to provide service outside the District's boundaries but within the urbanized area.

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

	<u>FY17</u>	<u>FY16</u>	<u>FY15</u>
Land	\$ 3,738	\$ 1,149	\$ 1,114
Parking lot	114	114	114
Passenger shelters	442	442	164
Administration building	1,223	1,354	1,354
Buildings	526	-	-
Buses and Paratransit vans	21,707	21,184	21,197
Cars and trucks	234	234	234
Storage garage	1,788	2,001	2,001
Maintenance shop and office	7,749	7,749	7,749
Garage equipment	868	874	1,036
Office furniture and fixtures	150	150	150
Two-way radio equipment	19	19	19
Other assets & construction work in progress	1,340	2,462	1,761
Non-transit rental property	105	105	105
Telephone system	42	42	42
Stockroom and machine shop	176	176	176
CNG fueling station	<u>1,779</u>	<u>1,754</u>	<u>1,744</u>
Total	42,000	39,809	38,960
Less accumulated depreciation	<u>(18,226)</u>	<u>(17,355)</u>	<u>(16,129)</u>
Capital assets – net	<u>\$ 23,774</u>	<u>\$ 22,454</u>	<u>\$ 22,831</u>

A comparative analysis of the changes in the District’s capital assets for the year ending June 30, 2017 is presented in Table #4.

- Four Paratransit vans were added to the Paratransit fleet – valued at \$291 thousand.
- Two buses were added to the Mainline fleet – valued at \$832 thousand.
- A security system was added on the property – valued at \$23 thousand.
- HVAC units were replaced in the Storage Garage and Admin Bldg – valued at \$211 thousand.
- The Bunn/Greco/Horace Mann land was booked in FY17 – valued at \$2,589 thousand.
- The Planned Parenthood building and land were booked in FY17 – valued at \$525 thousand.
- Other Misc items booked in FY17 – valued at \$43 thousand.
- Six Paratransit vans were disposed of – valued at \$325 thousand.
- A floor scrubber was disposed of – valued at \$22 thousand.
- A generator was disposed of – valued at \$44 thousand.
- The HVAC system was disposed of – valued at \$353 thousand.
- Other Misc disposals – valued at \$65 thousand.

A comparative analysis of the changes in the District’s capital assets for the year ending June 30, 2016 is presented in Table #4.

- Six Paratransit vans were added to the Paratransit fleet – valued at \$339 thousand.
- Planning software/service agreement was purchased – valued at \$24 thousand.
- An increase in land value occurred, at \$35 thousand, due to relocation costs for the property at 1000 E. Washington, Springfield, IL – the Planned Parenthood property.
- An increase in the CNG station value occurred, at \$10 thousand, due to the addition of a metal roof and the enclosure of the electrical panels.
- 36 ADA concrete pads were added – valued at \$237 thousand.
- Five solar bus shelters were added – valued at \$41 thousand.
- Two mainline buses were disposed of – valued at \$293 thousand.
- One Paratransit van was disposed of – valued at \$58 thousand.
- The bus vacuum was disposed of – valued at \$162 thousand.

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

OPEB Trust Fund	FY17	FY16
Additions		
Employer contributions	\$1,392	\$904
Net Investment Gains	<u>-</u>	<u>230</u>
Total Additions	1,392	1,134
Deductions		
Benefits	323	321
Net Investment Loss/Gain	<u>7</u>	<u>-</u>
Total Deductions	330	321
CHANGE IN NET POSITION	\$1,062	\$813
Net Position – Beginning of Year	<u>\$3,594</u>	<u>\$2,781</u>
Net Position – End of Year	<u>\$4,656</u>	<u>\$3,594</u>

A comparative analysis of the changes in the District's Fiduciary OPEB Trust Fund for the year ending June 30, 2017 is presented in Table #5.

- During FY17, employer contributions included \$323 in payments that were made for retiree health premiums during the year. The Statement of Net Position for Fiduciary Funds is included within the Financial Statement Section of the annual audit report.

A comparative analysis of the changes in the District's Fiduciary OPEB Trust Fund for the year ending June 30, 2016 is presented in Table #5.

- During FY15, the District established a segregated Other Post Employment Benefit Plan (OPEB) Trust for retiree health insurance. During FY16, employer contributions included \$321 in payments that were made for retiree health premiums during the year. In addition, there was a \$230 thousand net gain on investment. The Statement of Net Position for Fiduciary Funds is included within the Financial Statement Section of the annual audit report.

Economic Trends:

For the year ending June 30, 2017:

- The average cost per gallon for diesel fuel increased compared to last fiscal year (\$1.477 per gallon in FY16 compared to \$1.601 per gallon in FY17). The highest cost per gallon during FY17 was \$1.902 in June 2017. (source: Fleet-Net)
- The average cost per gallon for U.S. Regular Conventional Gasoline increased compared to last fiscal year (\$2.24 per gallon in FY16 compared to \$2.28 per gallon in FY17). The highest cost per gallon during FY17 was \$2.42 in April 2017 (source: eia.gov).
- The average cost per therm for CNG fuel increased compared to last fiscal year (\$.55 per therm in FY16 compared to \$.65 per therm in FY17). The highest cost per therm during FY17 was \$.67 in August 2016 (source: Ameren Illinois).
- Ridership for the fixed-line service decreased by 22.7% compared to last year.
- Ridership for the demand response service decreased by 3.48% compared to last year.
- The actuarial accrued liability at 6/30/17 was \$10,211 thousand. The plan assets at 6/30/17 that were segregated in an OPEB trust fund were \$4,656 thousand. The unfunded actuarial liability for retiree health benefits decreased by 64.6%, (\$7,738 thousand in FY16 compared to \$5,556 thousand in FY16). The annual required contribution remained the same, \$860 thousand in FY16 and FY17). The unfunded liability is amortized over 20 years and is included in the annual required contribution. The actuarial liability has been presented in the notes to the financial statement and within the other required supplementary information section of the annual audit. The annual required contribution has been included in the District's operating expenses and will continue to be included in the operating expenses in the future. The actuarial liability and the annual required contribution are impacted by changes to the District's retiree health insurance plan, by changes in the group health insurance premiums, and by changes in the number of participants.
- In FY15, the District entered into a contract with Senior Services of Central Illinois to provide service outside of the District's boundary but within the urbanized area to provide a link to service within the District's boundaries and to rural areas within

Sangamon County. The SMART service continued to be postponed, in FY17, due to the ongoing delays in resolving the state budget impasse.

- The District receives Downstate Operating Assistance from the State of Illinois. The operating assistance is allocated based on state statutes. The formula for the Downstate operating assistance is 65% of eligible operating expense up to the maximum deficit of eligible operating expenses less eligible operating revenues, and limited to the approved appropriation. Included in the statute is a provision that appropriations increase 10% each year. Based on discussions during past years regarding the sustainability of the Downstate Operating Assistance Fund, a change to legislation was proposed by downstate transit agencies through the Illinois Public Transit Association. The purpose of the proposed change was to right size the growth in downstate transit appropriations to match corresponding growth in sales tax receipts in the previous year. Unfortunately, this proposal has been overshadowed by the ongoing budget shortfall and budget impasse and has prompted discussion regarding more drastic changes to the Downstate Operating Assistance Fund in FY17.

For the year ending June 30, 2016:

- The average cost per gallon for diesel fuel decreased over last fiscal year (\$2.342 per gallon in FY15 compared to \$1.477 per gallon in FY16). The highest cost per gallon during FY16 was \$1.84 in October 2015. (source: Fleet-Net)
- The average cost per gallon for U.S. Regular Conventional Gasoline decreased by 17.34% compared to last fiscal year (\$2.71 per gallon in FY15 compared to \$2.24 per gallon in FY16). The highest cost per gallon during FY16 was \$2.83 in July 2015 (source: eia.gov).
- The average cost per therm for CNG fuel decreased by 16.67% compared to last year (\$.66 per therm in FY15 compared to \$.55 per therm in FY16). The highest cost per therm during FY16 was \$.63 in June 2016 (source: Ameren Illinois).
- Ridership for the fixed-line service decreased by 6.73% compared to last year.
- Ridership for the demand response service increased by 8.96% compared to last year.
- The actuarial accrued liability at 6/30/16 was \$11,387 thousand. The plan assets at 6/30/16 that were segregated in an OPEB trust fund were \$2,781 thousand. The unfunded actuarial liability for retiree health benefits increased by 11.23%, (\$7,738 thousand in FY15 compared to \$8,607 thousand in FY16). The annual required contribution decreased by 5.18%, \$907 thousand in FY14 to \$860 thousand in FY16). The unfunded liability is amortized over 20 years and is included in the annual required contribution. The actuarial liability has been presented in the notes to the financial statement and within the other required supplementary information section of the annual audit. The annual required contribution has been included in the District's operating expenses and will continue to be included in the operating expenses in the future. The actuarial liability and the annual required contribution are impacted by changes to the District's retiree health insurance plan and by changes in the group health insurance premiums.
- In FY15, the District entered into a contract with Senior Services of Central Illinois to provide service outside of the District's boundary but within the urbanized area to provide a link to service within the District's boundaries and to rural areas within Sangamon County. The SMART service continued to be postponed, in FY16, due to the ongoing delays in resolving the state budget impasse.

- The District receives Downstate Operating Assistance from the State of Illinois. The operating assistance is allocated based on state statutes. The formula for the Downstate operating assistance is 65% of eligible operating expense up to the maximum deficit of eligible operating expenses less eligible operating revenues, and limited to the approved appropriation. Included in the statute is a provision that appropriations increase 10% each year. Based on discussions during past years regarding the sustainability of the Downstate Operating Assistance Fund, a change to legislation was proposed by downstate transit agencies through the Illinois Public Transit Association. The purpose of the proposed change was to right size the growth in downstate transit appropriations to match corresponding growth in sales tax receipts in the previous year. Unfortunately, this proposal has been overshadowed by the ongoing budget shortfall and budget impasse and has prompted discussion regarding more drastic changes to the Downstate Operating Assistance Fund in FY17.

CONTACTING THE DISTRICT'S MANAGEMENT

The financial reports of the District provide an overview for the public of the financial accountability the District maintains for the resources received. Further questions concerning this report should be directed to Frank Squires, Managing Director or Diane K. Townsend, Director 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.

SPRINGFIELD MASS TRANSIT DISTRICT

STATEMENTS OF NET POSITION
 PROPRIETARY FUND
 As of June 30, 2017 and 2016

ASSETS		
	<u>2017</u>	<u>2016</u>
CURRENT ASSETS		
Cash and investments	\$ 5,508,569	\$ 5,798,946
Accounts Receivable		
Taxes - net	1,300,560	1,260,809
Operating assistance grants - net	1,399,725	1,473,585
Capital assistance grants	650,489	51,958
Other	114,299	238,313
Materials and supplies inventories	885,811	925,418
Prepaid expenses	24,119	31,346
Total Current Assets	<u>9,883,572</u>	<u>9,780,375</u>
NONCURRENT ASSETS		
Net OPEB asset	2,077	-
Investments	1,144,818	2,193,078
Capital Assets		
Capital assets, not being depreciated	4,354,974	2,804,991
Property and equipment	37,645,269	37,004,566
Accumulated depreciation	<u>(18,226,253)</u>	<u>(17,355,131)</u>
Total Noncurrent Assets	<u>24,920,885</u>	<u>24,647,504</u>
Total Assets	<u>34,804,457</u>	<u>34,427,879</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension deferred outflows	<u>2,723,674</u>	<u>3,497,585</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	1,168,276	1,275,736
Accrued payroll	129,834	374,021
Accrued payroll taxes and retirement	603,555	683,834
Accrued compensated absences	489,380	490,868
Other current liabilities	3,595	3,520
Total Current Liabilities	<u>2,394,640</u>	<u>2,827,979</u>
NONCURRENT LIABILITIES		
Net OPEB obligations	-	534,683
Net pension liability	<u>1,364,309</u>	<u>2,204,878</u>
Total Noncurrent Liabilities	<u>1,364,309</u>	<u>2,739,561</u>
Total Liabilities	<u>3,758,949</u>	<u>5,567,540</u>
DEFERRED INFLOWS OF RESOURCES		
Pension deferred inflows	<u>435,725</u>	<u>299,391</u>
NET POSITION		
Net investment in capital assets	23,773,990	22,454,426
Unrestricted	<u>9,559,467</u>	<u>9,604,107</u>
TOTAL NET POSITION	<u>\$ 33,333,457</u>	<u>\$ 32,058,533</u>

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, 2017 and 2016

	2017	2016
OPERATING REVENUES		
Full adult fares	\$ 1,026,492	\$ 1,121,833
Senior citizen, student, and handicapped fees	37,360	19,323
Local student fare assistance	81,381	93,099
Advertising revenue	113,590	123,795
Total Operating Revenues	1,258,823	1,358,050
OPERATION AND MAINTENANCE EXPENSES	14,102,432	14,421,782
Operating Loss Before Depreciation	(12,843,609)	(13,063,732)
DEPRECIATION	1,912,937	1,739,794
Loss From Operations	(14,756,546)	(14,803,526)
NONOPERATING REVENUES (EXPENSES)		
Local taxes	2,647,086	2,603,143
Grants		
State of Illinois - Downstate Public Transportation Assistance Program		
Operating assistance	9,150,045	8,765,808
Federal Transit Administration		
Operating assistance	1,182,010	1,306,702
UIS and Route 19 service operating assistance	36,512	68,145
Capital assistance for operating items	37,938	70,336
Investment income	44,437	55,507
Interest on property taxes	60	41
Other income	8,187	5,621
Net gain/(loss) on disposal of capital assets	(214,025)	(23,359)
CNG fuel rebate net of state assistance adjustment	-	22,054
Total Nonoperating Revenues	12,892,250	12,873,998
Net Income Before Contributions	(1,864,296)	(1,929,528)
CAPITAL CONTRIBUTIONS - FEDERAL	2,968,955	1,247,738
CAPITAL CONTRIBUTIONS - STATE	170,265	22,322
CHANGE IN NET POSITION	1,274,924	(659,468)
NET POSITION - Beginning of Year	32,058,533	32,718,001
Cumulative effect of change in accounting principle	-	-
NET POSITION - END OF YEAR	\$ 33,333,457	\$ 32,058,533

See accompanying notes to financial statements.

SPRINGFIELD MASS TRANSIT DISTRICT

STATEMENTS OF CASH FLOWS PROPRIETARY FUND For the Years Ended June 30, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received for transit fares	\$ 1,102,909	\$ 996,316
Cash received from sales of charters, advertising and rental income	121,777	129,416
Wages and benefits paid to employees	(11,014,087)	(10,170,860)
Payments to suppliers for goods and services	(4,070,951)	(2,922,450)
Net Cash Flows From Operating Activities	(13,860,352)	(11,967,578)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating Subsidies Received From		
State of Illinois	7,995,058	8,327,676
Federal Transit Administration	2,410,277	1,251,633
Property and income taxes received	2,647,086	2,607,609
Alternative fuel credit received	126,587	126,211
Net Cash Flows From Noncapital Financing Activities	13,179,008	12,313,129
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Grants Received From		
Federal Transit Administration and State of Illinois	2,445,454	1,670,740
Purchase and construction of capital assets	(3,147,244)	(1,670,677)
Net Cash Flows From Capital and Related Financing Activities	(701,790)	63
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments purchased	-	(918,103)
Investments sold	1,048,260	27,096
Investment income	44,497	55,548
Net Cash Flows From Investing Activities	1,092,757	(835,459)
Net Change in Cash and Cash Equivalents	(290,377)	(489,845)
CASH AND CASH EQUIVALENTS – Beginning of Year	5,798,946	6,288,791
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 5,508,569	\$ 5,798,946
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Loss on disposal of capital assets	\$ 214,025	\$ 23,359

	<u>2017</u>	<u>2016</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH		
FLOW FROM OPERATING ACTIVITIES		
Operating loss	\$ (14,756,546)	\$ (14,803,526)
Nonoperating revenue		
Rental income	8,187	5,620
State assistance adjustment on alternative fuel credit	(62,405)	(40,958)
Noncash items included in operating loss		
Depreciation expense	1,912,937	1,739,794
Changes in Assets and Liabilities		
Accounts receivable	20,081	(196,980)
Prepaid expenses	7,227	100,892
Materials and supplies	39,607	(32,159)
Pension liability, deferrals, and prepaids	69,676	721,548
Accounts payable	(236,477)	(17,077)
Net OPEB obligation	(536,760)	(48,506)
Accrued wages and benefits	(245,675)	603,107
Other liabilities	(80,204)	667
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ (13,860,352)</u>	<u>\$ (11,967,578)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO		
STATEMENT OF NET POSITION ACCOUNTS		
Cash and investments - current	\$ 5,508,569	\$ 5,798,946
Investments - noncurrent	<u>1,142,741</u>	<u>2,193,078</u>
Total Cash and Investments	6,653,387	7,992,024
Less: Noncash equivalents	<u>1,144,818</u>	<u>2,193,078</u>
CASH AND CASH EQUIVALENTS	<u>\$ 5,508,569</u>	<u>\$ 5,798,946</u>

SPRINGFIELD MASS TRANSIT DISTRICT

STATEMENT OF NET POSITION FIDUCIARY FUND As of June 30, 2017 and 2016

	OPEB Trust Fund 2017	OPEB Trust Fund 2016
	<u>2017</u>	<u>2016</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 571,332	\$ 3,366
Interest receivable	65,345	54,684
Total Current Assets	<u>636,677</u>	<u>58,050</u>
NONCURRENT ASSETS		
Municipal bonds	<u>4,018,946</u>	<u>3,535,555</u>
TOTAL ASSETS	<u>4,655,623</u>	<u>3,593,605</u>
NET POSITION		
Net position restricted for OPEB	<u>\$ 4,655,623</u>	<u>\$ 3,593,605</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, 2017 and 2016

	OPEB Trust Fund 2017	OPEB Trust Fund 2016
ADDITIONS		
Employer contributions	\$ 1,392,384	\$ 903,684
Net investment gain	-	229,864
Total Additions	<u>1,392,384</u>	<u>1,133,548</u>
DEDUCTIONS		
Benefits	322,917	320,495
Net investment loss	<u>7,449</u>	<u>-</u>
Total Deductions	<u>330,366</u>	<u>320,495</u>
NET INCREASE (DECREASE) IN NET POSITION	1,062,018	813,053
NET POSITION - Beginning of Year	<u>3,593,605</u>	<u>2,780,552</u>
NET POSITION - END OF YEAR	<u>\$ 4,655,623</u>	<u>\$ 3,593,605</u>

See accompanying notes to financial statements.

SPRINGFIELD MASS TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2017 and 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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. 74 – *Financial Reporting for Post-employment Benefit Plans Other Than Pensions* in June 2015. This statement establishes new disclosures and required supplemental information as well as amends the actuarial methods to be used. The District adopted this statement effective July 1, 2016.

SPRINGFIELD MASS TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2017 and 2016

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

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.

SPRINGFIELD MASS TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2017 and 2016

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

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. Details of the account are included in Note 7.

Accrued Compensated Absences

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

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

SPRINGFIELD MASS TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2017 and 2016

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

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

Other Postemployment Benefit Obligation (Net OPEB Obligation)

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

GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* in June, 2015. This statement replaces No.45 and requires additional disclosure in the notes and additional schedules within the Required Supplementary Information. Statement No. 75 is effective for reporting periods beginning after June 15, 2017. Therefore, for fiscal year 2017, SMTD is not required to implement Statement No. 75 and Statement No. 45 still applies.

Net Pension Liability

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

Provision for Uninsured Claims

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

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. On an accrual basis, revenue from property taxes are recognized in the period they are intended to finance, which is the year after the taxes are levied. A deferred inflow of resources arises when assets are recognized before the period for revenue recognition has occurred. Pension deferred inflows relate to the GASB Statement No. 68 pension liability. Details of the account are included in Note 7. Deferred capital revenues relate to resources received prior to their use to acquire paratransit capital assets.

SPRINGFIELD MASS TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2017 and 2016

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

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, 2017 and 2016.
- > *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 2017 and 2016, 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, 2017 and 2016

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

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.

CNG Fuel Rebate Net of State Assistance Adjustment

The District uses compressed natural gas (CNG) as an alternative fuel and is eligible to receive a rebate from the federal government. This federal program had expired on December 31, 2013; however, it was reauthorized on January 16, 2015 retroactive to January 1, 2014, and January 14, 2016 retroactive to January 1, 2015. The reauthorization on January 14, 2016 allowed for credits and payment for sales and uses through 2016. As such, the District received the rebate for fuel used during January-June 2016 in 2016 and July-December 2016 in 2017. The Illinois Department of Transportation (IDOT) recognizes the CNG rebate as a reduction in eligible fuel costs for purposes of the Downstate Operating Assistance program.

EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT PERIOD FINANCIAL STATEMENTS

GASB has approved GASB Statement No. 83, *Certain Asset Retirement Obligation*, Statement No. 84, *Fiduciary Activities*, Statement No. 85, *Omnibus 2017*, Statement No. 86, *Certain Debt Extinguishment Issues*, Statement No. 87, *Leases*. 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.

NOTE 2 – DEPOSITS AND INVESTMENTS

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, 2017 and 2016

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:

	2017		2016	
	Bank Balance	Carrying Value	Bank Balance	Carrying Value
Checking and Savings	\$ 560,610	\$ 564,212	\$ 1,218,659	\$ 1,196,313
Money Market	1,350,659	1,350,659	3,660,431	3,660,431
Certificates of Deposit	975,980	964,677	2,048,819	2,027,350
Illinois Funds	4,165,052	4,165,052	945,568	945,568
Municipal Bonds	4,145,868	4,145,868	3,635,894	3,635,894
U.S. Agencies	53,197	53,197	65,389	65,389
	\$ 11,251,366	\$ 11,243,665	\$ 11,574,760	\$ 11,530,945
Reconciliation to financial statements				
Per statement of net position				
Current cash and investments		\$ 5,508,569		\$ 5,798,946
Noncurrent investments		1,144,818		2,193,078
Per statement of net position –				
Fiduciary Fund				
Cash and cash equivalents		571,333		3,366
Municipal bonds		4,018,945		3,535,555
Total Deposits and Investments		\$ 11,243,665		\$ 11,530,945

SPRINGFIELD MASS TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2017 and 2016

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. At June 30, 2017 and 2016, the District had collateral agreements with a market value of \$3,482,642 and \$4,493,313, respectively. In addition, at June 30, 2017 and 2016 the District had an irrevocable, unconditional and nontransferable letter of credit in the amount of \$3,000,000 and \$2,750,000, respectively, to secure their operating account. At June 30, 2017 and 2016 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, 2017 and 2016, 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, 2017, the District’s investments were rated as follows:

<u>Investment Type</u>	<u>Standard & 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, 2016, the District’s investments were rated as follows:

<u>Investment Type</u>	<u>Standard & Poors</u>	<u>Moody’s Investors Services</u>
U. S. Agencies	Not Rated	AAA
Municipal Bonds	BBB+, A, A+, AA	Not rated, BAA2, A2, AA3
Illinois Funds	AAAm	Not rated

SPRINGFIELD MASS TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2017 and 2016

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, 2017 and 2016, the District's investments were as follows:

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	\$ 4,165,052	\$ 4,165,052	\$ -	\$ -
<i>Noncurrent Investments</i>				
U.S. Agencies	53,197	-	-	53,197
Municipal Bonds	4,145,868	-	622,695	3,523,173
Total	<u>\$ 8,364,117</u>	<u>\$ 4,165,052</u>	<u>\$ 622,695</u>	<u>\$ 3,576,370</u>

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	\$ 945,568	\$ 945,568	\$ -	\$ -
<i>Noncurrent Investments</i>				
U.S. Agencies	65,389	-	-	65,389
Municipal Bonds	3,888,269	-	394,255	3,494,014
Total	<u>\$ 4,899,266</u>	<u>\$ 945,568</u>	<u>\$ 394,255</u>	<u>\$ 3,559,403</u>

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

SPRINGFIELD MASS TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2017 and 2016

NOTE 2 – DEPOSITS AND INVESTMENTS (cont.)

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.

December 31, 2017				
Investment Type	Level 1	Level 2	Level 3	Total
Illinois Funds	\$ 4,165,052	\$ -	\$ -	\$ 4,165,052
Municipal Bonds and U.S. Agencies	-	4,199,065	-	4,199,065
Totals	\$ 4,165,052	\$ 4,199,065	\$ -	\$ 8,364,117

December 31, 2016				
Investment Type	Level 1	Level 2	Level 3	Total
Illinois Funds	\$ 945,568	\$ -	\$ -	\$ 945,568
Municipal Bonds and U.S. Agencies	-	3,953,658	-	3,953,658
Totals	\$ 945,568	\$ 3,953,658	\$ -	\$ 4,899,226

SPRINGFIELD MASS TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2017 and 2016

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 2016 became a lien on January 1, 2017, were payable in June and September of 2017 and recognized as revenue in fiscal year 2017. The taxes levied in July of 2015 became a lien on January 1, 2016, were payable in June and September of 2016 and recognized as revenue in fiscal year 2016. The taxes levied in July of 2017 will be received and recognized as revenue in fiscal year 2017. 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 (\$2,062,711,711 in 2017 and \$2,043,223,749 in 2016) 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:

	2017		2016	
	Revenue	Receivable	Revenue	Receivable
General corporate levy	\$ 1,288,296	\$ 657,366	\$ 1,274,246	\$ 636,936
Illinois Municipal Retirement Fund levy	372,123	191,604	368,900	186,076
Liability insurance levy	421,473	217,009	415,510	209,591
Social Security levy	382,409	196,893	377,008	190,161
Auditing levy	24,672	12,704	24,322	12,269
Replacement tax	158,113	24,984	143,157	25,776
Totals	<u>\$ 2,647,086</u>	<u>\$ 1,300,560</u>	<u>\$ 2,603,143</u>	<u>\$ 1,260,809</u>

NOTE 4 – OPERATING ASSISTANCE GRANTS

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

SPRINGFIELD MASS TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2017 and 2016

NOTE 4 – OPERATING ASSISTANCE GRANTS (cont.)

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

	<u>2017</u>	<u>2016</u>
IDOT FY 17 Operating assistance OP-17-05-IL	\$ 1,550,924	\$ -
IDOT FY 16 Operating assistance OP-16-05-IL	46,061	479,090
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	<u>(37,093)</u>	<u>(37,093)</u>
 Total State Operating Assistance Receivable	 1,399,723	 281,828
 Federal operating assistance receivable*	 <u>2</u>	 <u>1,191,757</u>
 Total Operating Assistance Receivable	 <u>\$ 1,399,725</u>	 <u>\$ 1,473,585</u>

*This includes receivables for Projects IL-2017-004-00 and UIS IL-90-X651 operating assistance.

NOTE 5 – CAPITAL ASSISTANCE GRANTS

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

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

	<u>2017</u>	<u>2016</u>
Federal Capital Assistance IL-90-X704	\$ 38,359	\$ 43,672
Federal Capital Assistance IL-04-X013	50,158	8,286
Federal Capital Assistance IL-90-X744	49,602	-
Federal Capital Assistance IL-90-X728	415,809	-
Federal Capital Assistance IL-90-X069	<u>96,561</u>	<u>-</u>
 Total Capital Assistance Receivable	 <u>\$ 650,489</u>	 <u>\$ 51,958</u>

SPRINGFIELD MASS TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2017 and 2016

NOTE 6 – CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ending June 30, 2017 consists of the following:

	Balances July 1, 2016	Additions	Retirements	Balances June 30, 2017
Capital assets, not being depreciated				
Land	\$ 1,254,468	\$ 2,762,349	\$ 174,000	\$ 3,842,817
Construction in progress	1,550,523	82,243	1,120,609	512,157
Total Capital Assets Not Being Depreciated	2,804,991	2,844,592	1,294,609	4,354,974
Capital assets, being depreciated				
Parking lot	113,715	-	-	113,715
Passenger shelters	441,870	-	-	441,870
Administration building	1,353,612	70,244	200,651	1,223,205
Transfer Center Building	-	525,861	-	525,861
Buses and paratransit vans	21,184,265	1,122,649	599,822	21,707,092
Cars and trucks	234,365	-	-	234,365
Storage garage	2,000,811	140,489	353,030	1,788,270
Maintenance shop and office	7,749,088	-	-	7,749,088
Garage equipment	873,744	18,278	24,243	867,779
Office furniture and fixtures	150,312	-	-	150,312
Two-way radio equipment	19,206	-	-	19,206
Other assets	911,647	22,572	106,644	827,575
Telephone system	41,537	-	-	41,537
Stockroom and machine shop	176,377	-	-	176,377
CNG fueling station	1,754,017	25,000	-	1,779,017
Total Capital Assets Being Depreciated	37,004,566	1,925,093	1,284,390	37,645,269
Total Capital Assets	\$ 39,809,557	\$ 4,769,685	\$ 2,578,999	\$ 42,000,243

SPRINGFIELD MASS TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2017 and 2016

NOTE 6 – CHANGES IN CAPITAL ASSETS (cont.)

Accumulated depreciation activity for the year ending June 30, 2017 consists of the following:

	<u>Balances</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balances</u>
	<u>July 1, 2016</u>			<u>June 30, 2017</u>
Parking lot	\$ 113,715	\$ -	\$ -	\$ 113,715
Passenger shelters	175,886	28,362	-	204,248
Administration building	633,969	38,946	97,817	575,098
Transfer Center Building	-	31,001	-	31,001
Buses and paratransit vans	12,219,005	1,215,562	599,822	12,834,745
Cars and trucks	166,072	15,576	-	181,648
Storage garage	1,186,633	47,087	213,289	1,020,431
Maintenance shop and office	952,533	232,346	-	1,184,879
Garage equipment	620,700	64,384	24,243	660,841
Office furniture and fixtures	150,183	131	-	150,314
Two-way radio equipment	17,490	541	-	18,031
Other assets	851,275	29,918	106,644	774,549
Telephone system	41,537	-	-	41,537
Stockroom and machine shop	143,304	5,293	-	148,597
CNG fueling station	<u>82,829</u>	<u>203,790</u>	<u>-</u>	<u>286,619</u>
 Total Accumulated Depreciation	 <u>17,355,131</u>	 <u>1,912,937</u>	 <u>(1,041,815)</u>	 <u>18,226,253</u>
 Total Capital Assets Being Depreciated, Net	 <u>19,649,435</u>	 <u>12,156</u>	 <u>242,575</u>	 <u>19,419,016</u>
 Total Capital Assets, Net of Accumulated Depreciation	 <u>\$ 22,454,426</u>	 <u>\$ 2,682,748</u>	 <u>\$ 1,363,184</u>	 <u>\$ 23,773,990</u>

SPRINGFIELD MASS TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2017 and 2016

NOTE 6 – CHANGES IN CAPITAL ASSETS (cont.)

Capital asset activity for the year ending June 30, 2016 consists of the following:

	Balances July 1, 2015	Additions	Retirements	Balances June 30, 2016
Capital assets, not being depreciated				
Land	\$ 1,219,044	\$ 35,424	\$ -	\$ 1,254,468
Construction in progress	<u>872,812</u>	<u>894,917</u>	<u>217,206</u>	<u>1,550,523</u>
Total Capital Assets Not Being Depreciated	<u>2,091,856</u>	<u>930,341</u>	<u>217,206</u>	<u>2,804,991</u>
Capital assets, being depreciated				
Parking lot	113,715	-	-	113,715
Passenger shelters	163,948	277,922	-	441,870
Administration building	1,353,612	-	-	1,353,612
Buses and paratransit vans	21,197,043	338,612	351,390	21,184,265
Cars and trucks	234,365	-	-	234,365
Storage garage	2,000,811	-	-	2,000,811
Maintenance shop and office	7,749,088	-	-	7,749,088
Garage equipment	1,035,832	-	162,088	873,744
Office furniture and fixtures	150,312	-	-	150,312
Two-way radio equipment	19,206	-	-	19,206
Other assets	887,967	23,680	-	911,647
Telephone system	41,537	-	-	41,537
Stockroom and machine shop	176,377	-	-	176,377
CNG fueling station	<u>1,744,203</u>	<u>9,814</u>	<u>-</u>	<u>1,754,017</u>
Total Capital Assets Being Depreciated	<u>36,868,016</u>	<u>650,028</u>	<u>513,478</u>	<u>37,004,566</u>
Total Capital Assets	<u>\$ 38,959,872</u>	<u>\$ 1,580,369</u>	<u>\$ 730,684</u>	<u>\$ 39,809,557</u>

SPRINGFIELD MASS TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2017 and 2016

NOTE 6 – CHANGES IN CAPITAL ASSETS (cont.)

Accumulated depreciation activity for the year ending June 30, 2016 consists of the following:

	<u>Balances</u>		<u>Retirements</u>	<u>Balances</u>
	<u>July 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2016</u>
Parking lot	\$ 113,715	\$ -	\$ -	\$ 113,715
Passenger shelters	158,828	17,058	-	175,886
Administration building	593,407	40,562	-	633,969
Buses and paratransit vans	11,340,484	1,229,911	351,390	12,219,005
Cars and trucks	138,290	27,782	-	166,072
Storage garage	1,135,133	51,500	-	1,186,633
Maintenance shop and office	720,187	232,346	-	952,533
Garage equipment	723,998	58,790	162,088	620,700
Office furniture and fixtures	150,099	84	-	150,183
Two-way radio equipment	16,664	826	-	17,490
Other assets	822,229	29,046	-	851,275
Telephone system	41,537	-	-	41,537
Stockroom and machine shop	138,013	5,291	-	143,304
CNG fueling station	36,232	53,594	6,997	82,829
Total Accumulated Depreciation	<u>16,128,816</u>	<u>1,746,790</u>	<u>520,475</u>	<u>17,355,131</u>
Total Capital Assets Being Depreciated, Net	<u>20,739,200</u>	<u>(1,096,762)</u>	<u>(6,997)</u>	<u>19,649,435</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 22,831,056</u>	<u>\$ (166,421)</u>	<u>\$ 210,209</u>	<u>\$ 22,454,426</u>

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.

SPRINGFIELD MASS TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2017 and 2016

NOTE 7 – DEFINED BENEFIT PENSION PLAN (cont.)

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, 2016 and 2015, the following employees were covered by the benefit terms:

	<u>2016</u>	<u>2015</u>
Retirees and Beneficiaries currently receiving benefits	94	92
Inactive Plan Members entitled to but not yet receiving benefits	83	77
Active Plan Members	144	142
Totals	<u>321</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 2016 and 2015 was 16.01% and 9.71%, respectively. For the fiscal year ended June 30, 2017 and 2016, the District contributed \$999,568 and \$1,137,580, 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, 2017 and 2016

NOTE 7 – DEFINED BENEFIT PENSION PLAN (cont.)

NET PENSION LIABILITY

The District's net pension liability for fiscal year 2017 and fiscal year 2016 was measured as of December 31, 2016 and 2015, respectively. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

ACTUARIAL ASSUMPTION

The following are the methods and assumptions used to determine total pension liability at December 31, 2016 and 2015:

- > The **Actuarial Cost Method** used was Entry Age Normal.
- > The **Asset Valuation Method** used was Market Value of Assets.
- > The **Inflation Rate** was assumed to be 2.75%.
- > **Salary Increases** were expected to be 3.75% to 14.5%, including inflation.
- > The **Investment Rate of Return** was assumed to be 7.50%.
- > **Projected Retirement Age** was from the Experience-based Table of Rates, specific to the type of eligibility condition, last updated for the 2014 valuation according to an experience study from years 2011 to 2013.
- > The IMRF-specific rates for **Mortality** (for 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-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table, applying the same adjustments that were applied for nondisabled lives.
- > For **Active Members**, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

SPRINGFIELD MASS TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2017 and 2016

NOTE 7 – DEFINED BENEFIT PENSION PLAN (cont.)

ACTUARIAL ASSUMPTION (cont.)

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

Asset Class	Portfolio Target Percentage	Long-Term Expected Real Rate of Return
Domestic Equity	38%	6.85%
International Equity	17%	6.75%
Fixed Income	27%	3.00%
Real Estate	8%	5.75%
Alternative Investments	9%	2.65-7.35%
Cash Equivalents	1%	2.25%
Total	100%	

SINGLE DISCOUNT RATE

A Single Discount Rate of 7.50% was used to measure the total pension liability. The projection of cash flow used to determine this Single Discount Rate assumed that the plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The Single Discount Rate reflects:

1. The long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits), and
2. The tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.50%, the municipal bond rate is 3.78%, and the resulting single discount rate is 7.50%.

SPRINGFIELD MASS TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2017 and 2016

NOTE 7 – DEFINED BENEFIT PENSION PLAN (cont.)

CHANGES IN THE NET PENSION LIABILITY

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability
Balances at December 31, 2014	\$ 28,901,956	\$ 28,862,816	\$ 39,140
Changes for the year:			
Service cost	778,118		778,118
Interest on the total pension liability	2,140,553		2,140,553
Changes of benefit terms	-	-	-
Differences between expected and actual experience of the total pension liability	(372,237)	-	(372,237)
Changes of assumptions	38,180	-	38,180
Contributions - employer	-	658,258	(658,258)
Contributions – employees	-	333,546	(333,546)
Net investment income	-	143,042	(143,042)
Benefit payments, including refunds of employee contributions	(1,500,605)	(1,500,605)	-
Other (net transfer)	-	(715,970)	715,970
Net Changes	1,084,009	(1,081,729)	2,165,738
Balances at December 31, 2015	29,985,965	27,781,087	2,204,878
Changes for the year:			
Service cost	808,680	-	808,680
Interest on the total pension liability	2,217,364	-	2,217,364
Changes of benefit terms	-	-	-
Differences between expected and actual experience of the total pension liability	(220,505)	-	(220,505)
Changes of assumptions	(38,987)	-	(38,987)
Contributions - employer	-	1,169,058	(1,169,058)
Contributions – employees	-	328,613	(328,613)
Net investment income	-	1,901,586	(1,901,586)
Benefit payments, including refunds of employee contributions	(1,571,968)	(1,571,968)	-
Other (net transfer)	-	207,864	(207,864)
Net Changes	1,194,584	2,035,153	(840,569)
Balances at December 31, 2016	\$ 31,180,549	\$ 29,816,240	\$ 1,364,309

SPRINGFIELD MASS TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2017 and 2016

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 7.50%, as well as what the plan's net pension liability would be if it were calculated using a Single Discount Rate that is 1% lower or 1% higher:

<u>Net Pension Liability (Asset)</u>	<u>1% Lower (6.50%)</u>	<u>Current Discount (7.50%)</u>	<u>1% Higher (8.50%)</u>
December 31, 2016	\$ 5,575,349	\$ 1,364,309	\$ (2,091,117)
December 31, 2015	6,341,673	2,204,878	(1,177,894)

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

For the year ended June 30, 2017 and 2016, the District recognized pension expense of \$1,069,243 \$1,863,490, respectively. At June 30, 2017 and 2016, the District reported deferred outflows of resources related to pensions from the following sources:

<u>Deferred Amounts Related to Pensions</u>	<u>2017</u>		<u>2016</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<i>Deferred Amounts to be Recognized in Pension Expense in Future Periods</i>				
Differences between expected and actual experience	\$ 159,763	\$ 404,297	\$ 237,239	\$ 299,391
Changes of assumptions	430,918	31,428	636,093	-
Net difference between projected and actual earnings on pension plan investments	<u>1,487,493</u>	<u>-</u>	<u>1,809,262</u>	<u>-</u>
Total Deferred Amounts to be recognized in pension expense in future periods	<u>2,078,174</u>	<u>435,725</u>	<u>2,682,594</u>	<u>299,391</u>
<i>Pension Contributions made subsequent to the Measurement Date</i>	<u>645,500</u>	<u>-</u>	<u>814,991</u>	<u>-</u>
Total Deferred Amounts Related to Pensions	<u>\$ 2,723,674</u>	<u>\$ 435,725</u>	<u>\$ 3,497,585</u>	<u>\$ 299,391</u>

SPRINGFIELD MASS TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2017 and 2016

NOTE 7 – DEFINED BENEFIT PENSION PLAN (cont.)

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, 2017. Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense in future periods as follows:

<u>Year Ending June 30</u>	<u>Net Deferred Outflows of Resources</u>
2017	\$ 668,266
2018	668,264
2019	333,950
2020	(20,099)
2021	(7,932)
Thereafter	-
Total	<u>\$ 1,642,449</u>

OUTSTANDING PAYABLES

At June 30, 2017 and 2016, the District had outstanding payables to IMRF of \$475,774 and \$609,224, respectively, related to June 2017 and 2016 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.

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS

PLAN DESCRIPTION

Plan administration. 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, 2017 and 2016

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (cont.)

PLAN DESCRIPTION (cont.)

Plan membership. At June 30, 2017 and 2016, the Retiree Health Insurance Program membership consisted of the following:

	2017	2016
Retirees and Beneficiaries currently receiving benefits	61	59
Terminated employees entitled to benefits but not yet receiving them	-	-
Active plan members	73	77
	134	136

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, 2017 and 2016

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (cont.)

PLAN DESCRIPTION (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.

FUNDING POLICY

The District negotiates the contribution percentage between the District and employees through the union contracts and personnel policy. Retirees are required to contribute applicable premiums as defined in the Union Agreement and the District contributes the remainder to cover the cost of providing the benefits to the retirees via the insured plan (pay as you go). For the fiscal years ended June 30, 2017 and 2016, the District contributed \$1,392,384 and \$903,684, respectively. Active employees do not contribute to the plan until retirement.

INVESTMENTS

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's has not adopted an asset allocation policy as of June 30, 2017.

SPRINGFIELD MASS TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2017 and 2016

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (cont.)

INVESTMENTS (cont.)

Rate of return. For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 4.5 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NET OPEB LIABILITY OF THE DISTRICT

The components of the net OPEB liability of the District at June 30, 2017, were as follows:

Total OPEB liability	\$	10,211,275
Plan fiduciary net position		4,655,623
District's net OPEB liability	\$	5,555,652
Plan fiduciary net position as a percentage of the total OPEB liability		45.59%

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

Valuation Date	June 30, 2017
Discount Rate	4.5% per annum. This rate is consistent with statutory insurance regulation for discounting deferred annuities.
Return on Assets	4.5% per annum. No analysis was made on the actual supporting assets
Money-weighted rate of return	5.4% per annum
Preretirement Turnover	5% per year
Preretirement Mortality	2014 Group Annuity Mortality, Male and Female tables. Sample deaths per 1,000 employees are as follows:

Age	Males	Females
25	.484	.173
30	.452	.218
35	.523	.286
40	.628	.396
45	.973	.657
50	1.686	1.102
55	2.788	1.673
60	4.688	2.442

SPRINGFIELD MASS TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2017 and 2016

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (cont.)

NET OPEB LIABILITY OF THE DISTRICT (cont.)

Postretirement Mortality 2014 Group Annuity Mortality, Male and Female tables. Sample deaths per 1,000 employees are as follows:

Age	Males	Females
65	8.277	3.696
70	16.769	12.868
75	26.826	20.938
80	44.722	34.844
85	77.497	60.504
90	125.908	107.126
95	218.559	179.034
100	313.988	270.858

Retirement Rates 55-59 = 12.5%
60-64 = 25.0%
65-69 = 35.0%
70 = 100%

The percentage refers to the probability that an active employee who has reached the stated age will retire within the following year.

Trend Rate This is based on the current study by the Society of Actuaries titled: "Modeling Long Term Healthcare Cost Trends" and dated December 10, 2007. Sample trend rates by calendar year appear below.

Year	Trend
2017	7.0%
2030	6.7%
2045	6.2%
2050	5.9%
2060	5.8%
2079	5.5%

Annual Salary Increase 3%

Annual cost per Retiree/
Survivor as of 6/30/17 Employee Only - \$7,696

Cost for Spousal and
Dependent Coverage Actual spousal and children data was used for current retirees and active employees. The cost of spousal and dependent coverage was added to the pre-retiree costs shown on the preretirement table shown on the previous page, based on the attained age of the employee. For future retirees it was assumed retiree would pay the dependent cost.

Annual Cost of Spousal
Medical & Prescription
Coverage 100% of retiree cost for a retiree of the same age

Retiree plan selection for
current and future retirees Active employees were assumed to select the existing type of coverage for retirement.

SPRINGFIELD MASS TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2017 and 2016

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (cont.)

NET OPEB LIABILITY OF THE DISTRICT (cont.)

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study described above.

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 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. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2017 (see the discussion of District's investment policy) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Corporate bonds - 12-month	4.39%
Corporate bonds - 36-month	4.43
Single premium annuities	4.00
Cash	0.0

Discount rate. The discount rate used to measure the total OPEB liability was 4.5 percent. The projection of cash flows used to determine the discount rate assumed that the District's contributions will be made at rates equal to the actuarially determined levels to avoid a depletion date.

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:

	1% Decrease (3.5%)	Discount Rate (4.5%)	1% Increase (5.5%)
Net OPEB liability (asset)	\$ 7,113,744	\$ 5,555,652	\$ 4,271,985

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 (6.0 percent) or 1-percentage-point higher (8.0 percent) than the current healthcare cost trend rates:

	1% Decrease (6.0%)	Healthcare Cost Trend Rate (7.0%)	1% Increase (8.0%)
Net OPEB liability (asset)	\$ 4,208,162	\$ 5,555,652	\$ 7,152,106

SPRINGFIELD MASS TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2017 and 2016

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (cont.)

ANNUAL OPEB COSTS AND NET OPEB OBLIGATION

The District had an actuarial valuation under GASB No. 45 performed for the plan as of June 30, 2015 to determine the employer's annual required contribution (ARC) for the fiscal year ended June 30, 2016 and 2017. The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation is as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2014	\$ 1,001,800	\$ 303,891	30.33%	\$ 2,791,655
June 30, 2015	883,163	3,091,629	350.06%	583,189
June 30, 2016	855,178	903,684	105.67%	534,683
June 30, 2017	855,598	1,392,371	162.74%	(2,077)

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

	2017	2016
Annual required contribution	\$ 860,074	\$ 860,074
Interest on net OPEB obligation	24,061	26,230
Adjustments to annual required contribution	(28,537)	(31,126)
Annual OPEB cost	855,598	855,178
Contributions made	1,392,358	903,684
Increase/(Decrease) in Net OPEB Obligation	(536,760)	(48,506)
Net OPEB Obligation – Beginning of Year	534,683	583,189
Net OPEB Obligation (Asset) – End of Year	<u>\$ (2,077)</u>	<u>\$ 534,683</u>

Funded Status and Funding Progress. The funded status of the plan as of June 30, 2017*, was as follows:

Actuarial accrued liability (AAL)	\$ 11,387,302
Actuarial value of plan assets	<u>2,780,552</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 8,606,750</u>
Funded ratio (actuarial value of plan assets/AAL)	24.42%
Covered payroll (active plan members)	\$ 6,894,788
UAAL as a percentage of covered payroll	124.83%

* The amounts presented above are as of June 30, 2015, the most recent actuarial valuation date.

SPRINGFIELD MASS TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2017 and 2016

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (cont.)

ANNUAL OPEB COSTS AND NET OPEB OBLIGATION (cont.)

Actuarial valuations of an ongoing plan involve estimates for the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The Board had designated certain investments for the payment of future OPEB costs beginning in fiscal year 2013. Because these resources were not part of a segregated OPEB trust until fiscal year 2015, they could not be treated as plan assets for actuarial purposes. These investments are shown as plan assets for the fiscal years ended June 30, 2017 and 2016.

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

In the June 30, 2015 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.50% investment rate of return (net of administrative expenses) and an initial annual healthcare cost trend rate of 7.00% reduced by 0.5% each year to arrive at an ultimate healthcare cost trend rate 5.00%. Increases in health care costs use an inflation rate between 0.0% and 4.2% depending on the age group. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period at June 30, 2016 and June 30, 2017 was 20 years.

SPRINGFIELD MASS TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2017 and 2016

NOTE 9 – CONTINGENT LIABILITIES AND SELF-INSURANCE

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, 2017, the District paid \$140,061 in full or partial settlement of various claims and paid an additional \$145,362 for claims adjustment and related legal services. In addition, \$689,364 had been provided, net of estimated subrogation rights, for estimated losses on 24 unsettled claims outstanding at the end of the year.

For the year ended June 30, 2016, the District paid \$210,700 in full or partial settlement of various claims and paid an additional \$150,273 for claims adjustment and related legal services. In addition, \$760,064 had been provided, net of estimated subrogation rights, for estimated losses on 38 unsettled claims outstanding at the end of the year.

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

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

	<u>2017</u>	<u>2016</u>
Amount of claims liabilities, at the beginning of the year	\$ 760,064	\$ 990,801
Incurred claims for the current year and changes in the provision for events of prior years	214,723	130,237
Payments of claims attributable to the current and prior years	<u>(285,423)</u>	<u>(360,974)</u>
Amount of Claims Liabilities, at the End of the Year	<u>\$ 689,364</u>	<u>\$ 760,064</u>

SPRINGFIELD MASS TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2017 and 2016

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

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	19,776,344 Aggregate	7/1/17
Employee Toolboxes	400,000 Aggregate	7/1/17
Commercial Automobile	4,000,000 Per Occurrence	7/1/17
Commercial General Liability	2,000,000 Aggregate	7/1/17
	1,000,000 Per Occurrence	7/1/17
Employee Benefits Liability	3,000,000 Aggregate	7/1/17
	1,000,000 Per Occurrence	7/1/17
Workers Compensation	500,000 Per Occurrence	7/1/17
General Liability	1,000,000 Per Occurrence	7/1/17
Employer's Liability	500,000 Per Occurrence	7/1/17
<i>Cincinnati Insurance</i>		
Vehicle Physical Damage	18,832,092 Aggregate	7/1/17
<i>Illinois National Insurance Company</i>		
Public Official Liability	1,000,000 Aggregate	7/1/17
<i>Scottsdale Insurance Company</i>		
Excess Liability	9,000,000 Aggregate	7/1/17
<i>Crum & Forster Specialty Insurance</i>		
Pollution Liability	1,000,000 Aggregate	7/1/17

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.

NOTE 10 – COMMITMENTS

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.

SPRINGFIELD MASS TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2017 and 2016

NOTE 10 – COMMITMENTS (cont.)

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.

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, 2016, 2015, and 2014

Calendar Year Ended December 31,	2016	2015	2014
Total Pension Liability			
Service Cost	\$ 808,680	\$ 778,118	\$ 783,068
Interest on the Total Pension Liability	2,217,364	2,140,553	1,938,489
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience of the Total Pension Liability	(220,505)	(372,237)	392,191
Changes of Assumptions	(38,987)	38,180	1,000,791
Benefit Payments, including Refunds of Employee Contributions	(1,571,968)	(1,500,605)	(1,335,128)
Net Change in Total Pension Liability	1,194,584	1,084,009	2,779,411
Total Pension Liability - Beginning	29,985,965	28,901,956	26,122,545
Total Pension Liability - Ending (A)	\$ 31,180,549	\$ 29,985,965	\$ 28,901,956
 Plan Fiduciary Net Position			
Contributions - Employer	\$ 1,169,058	\$ 658,258	\$ 670,876
Contributions - Employees	328,613	333,546	310,710
Net Investment Income	1,901,586	143,042	1,674,448
Benefit Payments, including Refunds of Employee Contributions	(1,571,968)	(1,500,605)	(1,335,128)
Other (Net Transfer)	207,864	(715,970)	(84,827)
Net Change in Plan Fiduciary Net Position	2,035,153	(1,081,729)	1,236,079
Plan Fiduciary Net Position - Beginning	27,781,087	28,862,816	27,626,737
Plan Fiduciary Net Position - Ending (B)	\$ 29,816,240	\$ 27,781,087	\$ 28,862,816
 Net Pension Liability - Ending (A) - (B)	\$ 1,364,309	\$ 2,204,878	\$ 39,140
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	95.62%	92.65%	99.86%
 Covered Valuation Payroll	\$ 7,302,495	\$ 7,305,587	\$ 6,910,358
 Net Pension Liability as a Percentage of Covered Valuation Payroll	18.68%	30.18%	0.57%

Notes to Schedule:

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

SPRINGFIELD MASS TRANSIT DISTRICT

NOTES TO SCHEDULE

Summary of Actuarial Methods and Assumptions Used in the Calculation of the 2016 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 2016 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

Schedule of Employer Contributions For the Year Ended June 30, 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>
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%

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 Fiscal Years ended June 30, 2017**

	<u>2017</u>
Total OPEB Liability	
Service Cost	\$ 779,778
Interest	417,026
Changes of Benefit Terms	-
Differences Between Expected and Actual Experience	-
Changes of Assumptions	-
Benefit Payments, including Refunds of Employee Contributions	<u>(252,783)</u>
Net Change in Total OPEB Liability	944,021
Total OPEB Liability - Beginning	<u>9,267,254</u>
Total OPEB Liability - Ending (A)	<u><u>\$ 10,211,275</u></u>
Trust Net Position	
Contributions - Employer	\$ 1,392,384
Contributions - Employees	-
Net Investment Income (loss)	(7,449)
Administrative expenses	-
Benefit Payments, including Refunds of Employee Contributions	(322,917)
Other	<u>-</u>
Net Change in Net Position Held in Trust	1,062,018
Trust Net Position - Beginning	<u>3,593,605</u>
Trust Net Position - Ending (B)	<u><u>\$ 4,655,623</u></u>
Net OPEB Liability - Ending (A) - (B)	\$ 5,555,652
Trust Fiduciary Net Position as a Percentage of Total OPEB Liability	45.59%
Covered Employee Payroll	\$ 7,302,495
Net OPEB Liability as a Percentage of Covered Employee Payroll	76.08%

*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

NOTES TO SCHEDULE

Actuarial valuation information relative to the determination of contributions:

Valuation Date: June 30, 2017

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method: Entry age normal

Amortization Method: Level percentage of payroll

Remaining Amortization Period: 30-year

Price Inflation: 3.00%

Salary Increases: 3.00% annually

Investment Rate of Return: 4.50%

Mortality: 2014 Group Annuity Mortality, Male and Female tables

SPRINGFIELD MASS TRANSIT DISTRICT

OTHER POSTEMPLOYMENT BENEFIT PLAN - REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a)/(c]
06/30/11	\$ -	\$ 8,649,161	\$ 8,649,161	0.00%	\$ 5,811,066	148.84%
06/30/13	-	10,518,112	10,518,112	0.00%	6,007,052	175.10%
06/30/13 *	2,780,552	10,518,112	7,737,560	26.44%	6,007,052	128.80%
06/30/15	2,780,552	11,387,302	8,606,750	24.42%	6,148,928	139.97%

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

*Prior to fiscal year ended June 30, 2015, the Board had designated certain investments for the payment of future OPEB costs, but since they were not part of a segregated OPEB trust, they could not be treated as plan assets for actuarial purposes. The District established a segregated OPEB Trust during fiscal year 2015, therefore the funds can now be treated as plan assets for actuarial purposes.

Schedule of Employer Contributions:

Fiscal Year Ended	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
2014	\$ 303,891	\$ 906,537	33.52%
2015	3,091,629	906,537	341.04%
2016	903,684	860,074	105.07%
2017	1,392,371	860,074	161.89%

Note: In 2015, the District set up the OPEB trust with the previously designated funds. As a result, the entire amount of the previously designated funds is included in employer contributions for 2015.

SPRINGFIELD MASS TRANSIT DISTRICT

OTHER POSTEMPLOYMENT BENEFIT PLAN – REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Net OPEB Liability, Fiduciary Net Position and Related Ratios For Fiscal Year Ended June 30, 2017

	<u>2017</u>
Total OPEB liability	\$ 10,211,275
OPEN fiduciary net position	<u>4,655,623</u>
Net OPEB liability	\$ 5,555,652
OPEB fiduciary net position as a percentage of total OPEB liability	45.59%
Covered Employee Payroll	\$ 7,302,495
Net OPEB liability as a percentage of covered employee payroll	76.08%

*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

Schedule of Investment Returns For Fiscal Year Ended June 30, 2017

	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	5.4%

*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, 2017

	Vehicle Operations	Vehicle Maintenance	Non-Vehicle Maintenance	General Administration	Total 2017	Total 2016
LABOR						
Operator's salaries and wages	\$ 3,558,571	\$ -	\$ -	\$ -	\$ 3,558,571	\$ 3,395,308
Other salaries and wages	541,834	948,330	-	470,841	1,961,005	1,868,555
FRINGE BENEFITS	2,309,440	764,834	-	759,626	3,833,900	4,199,719
SERVICES						
Advertising fees	-	-	-	39,932	39,932	15,182
Professional technical services	-	-	-	294,074	294,074	319,609
Contract maintenance service	-	-	49,508	-	49,508	56,435
Custodial services	-	-	-	25,942	25,942	33,809
Security services	-	-	-	81,557	81,557	114,938
Other services	-	-	-	72,229	72,229	83,310
MATERIAL AND SUPPLIES CONSUMED						
Fuel and lubricants	458,513	-	-	-	458,513	355,995
Tires and tubes	85,974	-	-	-	85,974	88,485
Other materials and supplies	-	732,126	243,268	43,613	1,019,007	1,014,505
UTILITIES	-	-	-	236,679	236,679	233,266
CASUAL AND LIABILITY COSTS						
Premiums for excess liability coverage	178,032	223,200	-	21,685	422,917	430,070
Premiums for physical damage insurance	-	22,728	53,114	-	75,842	73,829
Recoveries of physical damage losses	-	(41,842)	-	-	(41,842)	(1,969)
Premiums for other corporate insurance	-	-	-	32,201	32,201	25,356
Uninsured losses, net of recoveries	-	-	-	74,287	74,287	185,367
	-	-	-	-	-	-
LICENSES AND TAXES	-	-	-	-	-	-
Vehicle licensing and registration fees	-	-	-	14,047	14,047	3,021
MISCELLANEOUS EXPENSES						
Travel and meetings	-	-	-	5,290	5,290	12,814
Dues and subscriptions	-	-	-	56,820	56,820	56,266
Other	-	-	-	37,542	37,542	47,496
LEASE EXPENSE	-	-	-	3,465	3,465	4,813
TOTALS	<u>\$ 7,132,364</u>	<u>\$ 2,649,376</u>	<u>\$ 345,890</u>	<u>\$ 2,269,830</u>	<u>\$ 12,397,460</u>	<u>\$ 12,616,179</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, 2017

	Vehicle Operations	Vehicle Maintenance	Non-Vehicle Maintenance	General Administration	Total 2017	Total 2016
LABOR						
Operator's salaries and wages	\$ 544,922	\$ -	\$ -	\$ -	\$ 544,922	\$ 566,253
Other salaries and wages	160,679	43,834	-	62,845	267,358	278,851
FRINGE BENEFITS	293,781	18,807	-	41,708	354,296	487,848
SERVICES						
Advertising fees	-	-	-	1,895	1,895	2,187
Professional technical services	-	-	-	29,980	29,980	33,379
Contract maintenance service	-	-	7,149	-	7,149	8,580
Custodial services	-	-	2,544	-	2,544	2,686
Security services	-	-	-	-	-	-
Other services	-	-	-	22,546	22,546	19,783
MATERIAL AND SUPPLIES CONSUMED						
Fuel and lubricants	130,964	-	-	-	130,964	119,598
Tires and tubes	8,813	-	-	-	8,813	10,847
Other materials and supplies	-	137,793	2,877	2,881	143,551	77,073
UTILITIES	-	-	-	34,891	34,891	32,243
CASUAL AND LIABILITY COSTS						
Premiums for excess liability coverage	24,498	19,553	-	10,267	54,318	51,767
Premiums for physical damage insurance	-	2,525	-	5,902	8,427	8,015
Recoveries of physical damage losses	-	(21,155)	-	-	(21,155)	(22,334)
Premiums for other corporate insurance	-	-	-	-	-	-
Uninsured losses, net	-	-	-	66,973	66,973	46,132
LICENSES AND TAXES						
Vehicle licensing and registration fees	568	-	-	-	568	930
MISCELLANEOUS EXPENSES						
Travel and meetings	-	-	-	2,351	2,351	4,597
Dues and subscriptions	-	-	-	6,410	6,410	6,619
Other	-	-	-	892	892	671
LEASE EXPENSE	-	-	-	767	767	1,734
TOTALS	\$ 1,164,225	\$ 201,357	\$ 12,570	\$ 290,308	\$ 1,668,460	\$ 1,737,459

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 UIS OPERATING EXPENSES BEFORE DEPRECIATION

For the Year Ended June 30, 2017

IL-90-X651-00

	<u>Vehicle Operations</u>	<u>Vehicle Maintenance</u>	<u>Nonvehicle Maintenance</u>	<u>General Administration</u>	<u>Total 2017</u>	<u>Total 2016</u>
LABOR						
Operator's salaries and wages	\$ 21,994	\$ -	\$ -	\$ -	\$ 21,994	\$ 39,962
Other salaries and wages	-	-	-	-	-	-
FRINGE BENEFITS	3,954	-	-	-	3,954	7,406
SERVICES						
Advertising fees	-	-	-	-	-	-
Professional technical services	-	-	-	-	-	-
Contract maintenance service	-	-	-	-	-	-
Custodial services	-	-	-	-	-	-
Security services	-	-	-	-	-	-
Other services	-	-	-	-	-	-
MATERIAL AND SUPPLIES CONSUMED						
Fuel and lubricants	4,281	-	-	-	4,281	6,720
Tires and tubes	778	-	-	-	778	1,642
Other materials and supplies	-	5,505	-	-	5,505	12,414
UTILITIES	-	-	-	-	-	-
CASUAL AND LIABILITY COSTS						
Premiums for excess liability coverage	-	-	-	-	-	-
Premiums for physical damage insurance	-	-	-	-	-	-
Recoveries of physical damage losses	-	-	-	-	-	-
Premiums for other corporate insurance	-	-	-	-	-	-
Uninsured losses, net	-	-	-	-	-	-
LICENSES AND TAXES						
Vehicle licensing and registration fees	-	-	-	-	-	-
MISCELLANEOUS EXPENSES						
Travel and meetings	-	-	-	-	-	-
Dues and subscriptions	-	-	-	-	-	-
Other	-	-	-	-	-	-
LEASE EXPENSE	-	-	-	-	-	-
TOTALS	<u>\$ 31,007</u>	<u>\$ 5,505</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,512</u>	<u>\$ 68,144</u>

SPRINGFIELD MASS TRANSIT DISTRICT

COMPUTATION OF FEDERAL OPERATING ASSISTANCE For the Year Ended June 30, 2017

Projects IL-2017-009-00 (Operating)	Actual Project Cost
Total Operating Expenses (excluding depreciation)	
Salaries and labor	\$ 6,353,850
Benefits	4,192,150
Services	627,356
Materials and supplies	1,857,386
Utilities	271,570
Casualty and liability insurance and losses	671,968
Taxes and licenses	14,615
Leases and rentals	4,232
Miscellaneous	109,305
Total	<u>14,102,432</u>
Adjustments and Eliminations	
UIS operating expenses	36,512
Unfunded portion of GASB 68 expense	69,644
Q5 and federally funded equipment	107,988
Other income	8,187
Trustees' fees	32,000
Planning costs	39,633
Total	<u>293,964</u>
Net Eligible Expenses	13,808,468
Less: Passenger revenues	1,145,233
Interest on invested working capital	44,437
Interest on property taxes	60
Total	<u>1,189,730</u>
NET PROJECT COST	<u>\$ 12,618,738</u>
Local Share	
State operating assistance	\$ 9,150,045
Local property taxes	2,647,086
Advertising revenues	113,590
Total	<u>\$ 11,910,721</u>
Federal Assistance Limitation (lesser of)	
50% of net project cost	<u>\$ 6,309,369</u>
Local share	<u>\$ 11,910,721</u>
Grant award IL-2017-009-00	1,182,010
Total Grant Awards	<u>1,182,010</u>
BALANCE DUE FROM (TO) FEDERAL TRANSIT ADMINISTRATION	<u>\$ 1,182,010</u>

REPORT ON FEDERAL AWARDS

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

INDEPENDENT AUDITORS' REPORT

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Springfield Mass Transit District, Illinois as of and for the year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the Springfield Mass Transit District's basic financial statements, and have issued our report thereon dated November 20, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Springfield Mass Transit District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Springfield Mass Transit District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Springfield Mass Transit District's internal control.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Board of Trustees
Springfield Mass Transit District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Springfield Mass Transit District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 Veitchau Krause, LLP

Madison, Wisconsin
November 20, 2017

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, 2017. The Springfield Mass Transit District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Springfield Mass Transit District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 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.

To the Board of Trustees
Springfield Mass Transit District

Opinion on the Major Federal Program

In our opinion, the Springfield Mass Transit District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2017.

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 or significant deficiencies; however, material weaknesses or significant deficiencies may exist that were not identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Baker Tilly Veitch Krause, LLP

Madison, Wisconsin
November 20, 2017

SPRINGFIELD MASS TRANSIT DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2017

Federal Agency/Pass-Through Agency/Program or Cluster Title	Federal CFDA Number	Local Agency Contract Number	Federal Expenditures
U.S. Department of Transportation			
Direct Program:			
Federal Transit Formula Grants	20.507	IL-2017-009-00	\$ 1,182,010
Federal Transit Formula Grants	20.507	IL-90-X704-01	38,359
Federal Transit Formula Grants	20.507	IL-90-651-00	36,512
Federal Transit Formula Grants	20.507	IL-90-X744-00	49,602
Federal Transit Formula Grants	20.507	IL-90-X636-00	(3,000)
Federal Transit Formula Grants	20.507	IL-90-X712-00	420,728
Federal Transit Formula Grants	20.507	IL-90-X728-00	<u>415,809</u>
Total Federal Transit Formula Grants			2,140,020
Federal Transit Capital Investment Grant	20.500	IL-04-0013-02	1,817,768
Federal Transit Capital Investment Grant	20.500	IL-04-0069-00	96,561
Federal Transit Capital Investment Grant	20.500	IL-03-0284-00	<u>21,066</u>
Total Federal Transit Cluster			<u>4,075,415</u>
New Freedom Program	20.521	IL-90-X709-00	<u>150,000</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 4,225,415</u>

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, 2017

NOTE 1 – REPORTING ENTITY

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

NOTE 2 – BASIS OF PRESENTATION

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, 2017. 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.

NOTE 3 – DESCRIPTION OF MAJOR PROGRAMS

There was one major program for the year ended June 30, 2017. As part of the Federal Transit Cluster, the Federal Transit Capital Investment Grants (CFDA #20.500) and the Federal Transit Formula Grants (CFDA #20.507) were awarded by the Federal Transit Administration – U.S. Department of Transportation to the Springfield Mass Transit District for the purpose of financing capital projects and supporting public transportation services in urbanized areas.

NOTE 4 – RECONCILIATION TO THE FINANCIAL STATEMENTS

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

Operating assistance	\$	1,182,010
UIS and Route 19 operating assistance		36,512
Capital assistance for operating items		37,938
Capital assistance - Federal		<u>2,968,955</u>
	\$	<u>4,225,415</u>

NOTE 5 – INDIRECT COST RATE

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, 2017

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

None

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None

ILLINOIS 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, 2017. Springfield Mass Transit District's state financial assistance is identified in the Schedule of Revenue and Expense under Downstate Operating Assistance Grant OP-17-05-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.

To the Board of Trustees
Springfield Mass Transit District

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, 2017.

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
November 20, 2017

SPRINGFIELD MASS TRANSIT DISTRICT

SCHEDULE OF REVENUE AND EXPENSE UNDER
DOWNSTATE OPERATING ASSISTANCE GRANT OP-17-05-IL
For the Year Ended June 30, 2017

OPERATING REVENUES AND INCOME

401	Passenger fares for transit services	\$ 916,648
402	Special transit fares	228,586
406	Auxiliary revenue	113,590
407	Non-transportation revenue	52,684
413	Federal cash grants and reimbursement	<u>1,218,522</u>

Total Operating Revenues \$ 2,530,030

OPERATING EXPENSES

501	Labor	\$ 7,196,636
502	Fringe benefits	3,349,366
503	Professional services	627,118
504	Materials and supplies consumed	1,857,622
505	Utilities	271,570
506	Casualty and liability	671,969
507	Taxes	14,615
509	Miscellaneous expense	108,970
512	Leases, rentals, and purchase-lease payments	4,567
517	Debt Service Projects	<u>210,733</u>

Total Operating Expenses 14,313,166

Ineligible Expenses

APTA and IPTA dues	3,730
Other (JARC funded routes)	36,512
Other (Single Audit)	18,299
Other (Federally Funded Projects)	73,966
Other (Q5, misc., etc.)	34,022
Unfunded portion of GASB 68 Expense	<u>69,644</u>

Less: Total ineligible expenses 236,173

Total Eligible Operating Expenses 14,076,993

Total Operating Revenue and Income 2,530,030

Deficit \$ 11,546,963

65% of Eligible Expenses \$ 9,150,045

Maximum Contract Amount \$ 11,179,546

Eligible FY17 Downstate Operating Assistance (Deficit, 65% of eligible expenses, or maximum contract amount, whichever is less) \$ 9,150,045

FY17 Downstate Operating Assistance Received
(prior to close of fiscal year) \$ 8,954,836

FY17 Downstate Operating Assistance Receivable/(Payable)
(at close of fiscal year and subsequently received/(paid)) \$ 195,209