QUAD CITY GARAGE POLICY GROUP

Rock Island, Illinois

Financial Statements

For the Years Ended

June 30, 2015 and 2014

C O N T E N T S

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INDEPENDENT AUDITOR'S REPORT

Board of Members
Quad City Garage Policy Group
Rock Island, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of Quad City Garage Policy Group (the Group) as of and for the year ended June 30, 2015, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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

Prior Period Financial Statements

The financial statements of the Group as of and for the year ended June 30, 2014, were audited by other auditors whose report dated November 13, 2014, expressed an unmodified opinion on those financial statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 7 and the Schedule of Proportionate Share of the Net Pension Liability – IPERS and Schedule of Contributions – IPERS and the related notes on pages 22 through 23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report, dated September 30, 2015, on our consideration of the Group's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Group's internal control over financial reporting and compliance.

Martin, Hood, Friese & Associates, LLC

Champaign, Illinois
September 30, 2015

About the Financial Statements of Quad City Garage Policy Group

This section of the financial report presents management's discussion and analysis of the Quad City Garage Policy Group (the Group) financial performance during the fiscal years ended June 30, 2015 and 2014. Please read it in conjunction with the Group's financial statements. The financial statements of the Group are presented on an accrual basis. Accounting principles used are similar to principles applicable in the private sector. The Group's basic financial statements consist of the Statements of Net Position; the Statements of Revenues, Expenses and Changes in Net Position; and the Statements of Cash Flows. These statements are the measures used to evaluate the short-term and long-term outlook of the Group's finances and are used in conjunction with the annual budget, which is the Group's financial plan for the fiscal year.

The Statements of Net Position report the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, as net position. Assets are reported in order of liquidity, or how readily they are expected to be converted to cash, and whether restrictions limit the Group's ability to use the resources. Liabilities are reported based on their maturity, or when cash is expected to be used to liquidate them. Net position is displayed in three components – net investment in capital assets; restricted; and unrestricted. These statements can be found on page 8 of this report.

The Statements of Revenues, Expenses and Changes in Net Position distinguish between operating and non-operating revenues and expenses. They reconcile net position at the beginning and end of the financial period, explaining the relationship between these statements and the Statements of Net Position. The Statements of Revenues, Expenses and Changes in Net Position can be found on pages 9 of this report.

The Statements of Cash Flows provides relevant information about the cash receipts and cash disbursements of the Group during the period. It categorizes cash activity as resulting from operating and investing activities. The total cash generated or used reconciles the prior year cash balance to the current year cash balance as shown on the Statements of Net Position. These statements can be found on pages 10 of this report.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 11 through 21 of this report. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. Required supplementary information can be found on pages 4 through 7 and pages 22-24.

Financial Highlights

The Group is showing net operating income for the fiscal years 2015 and 2014 of $57,741 and $98,345, respectively.

Statements of Net Position

The Statements of Net Position present the assets, deferred outflows of resources, liabilities, and deferred inflows of resources, of the Group similar to the private sector on an accrual basis. Revenues and expenses are recognized when earned and when incurred rather than when cash is received or paid. The difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, represents the net position of the Group. A comparative analysis of the Group's net position is presented below.

Statement of Net Position
As of June 30
(in thousands)

	2015	Restated 2014
Current Assets	$ 792.9	$ 915.4
Capital Assets, Net of Depreciation	4.9	4.9
Total Assets	797.8	920.3
Deferred Outflows of Resources	133.5	105.5
Total Assets and Deferred Outflows of Resources	931.3	1,025.8
Current Liabilities	356.7	479.1
Non-Current Liabilities	716.0	1,092.4
Total Liabilities	1,072.7	1,571.5
Deferred Inflows of Resources	346.6	-
Total Liabilities and Deferred Inflows of Resources	1,419.3	1,571.5
Net Position:		
Net Investment in Capital Assets	4.9	4.9
Unrestricted	(492.9)	(550.6)
Total Net Position	$ (488.0)	$ (545.7)

Overall Financial Position

For the year ended June 30, 2015, the Group's total net position increased from ($545,734) to ($487,993). Unrestricted net position used to finance the Group's operations increased by 10 percent from ($550,671) to ($492,930). The Group has no restrictions on its net position. This year's increase in net position is illustrated in the Operating Results schedule below.

Operating Results
For Year Ended June 30
(in thousands)

	2015	**Restated 2014**
Operating Revenue:		
Sale of Maintenance	$ 3,808.5	$ 5,313.9
Less: Operating Expenses	3,750.8	5,215.6
Operating Income	57.7	98.3
Non-Operating Revenue (Expenses):		
Other	-	7.0
Increase in Net Position	57.7	105.3
Net Position, Beginning of Year, As Previously Reported	(545.7)	441.3
Prior Period Adjustment	-	(1,092.4)
Net Position, Beginning of Year, As Restated	(545.7)	(651.1)
Net Position, End of Year	$ (488.0)	$ (545.7)

For the year ended June 30, 2015, the Group's operating revenue decreased by $1,505,450. The Group's revenue is based on a direct reimbursement of expenses. Therefore, the decrease in revenue is directly attributable to the departure of the City of Davenport's fleet from the maintenance operation.

Total operating expenses decreased in the current year by $1,464,846, or 28 percent. A few of the significant line item increases and/or decreases were as follows:

- Wages and related employee benefits decreased 11% from the prior year ($199,898). This was largely due to the staffing reductions attributed to the departure of the City of Davenport's fleet, and offset by the additional pension expense associated with implementation of GASB Statement Number 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement Number 27*.

- Materials expense decreased 22% ($298,435), due to the departure of the City of Davenport's fleet.

- Fuel Expense decreased 71% ($688,177). The City of Davenport's fleet primarily used diesel fuel, and a small percentage of the Rock Island County Metropolitan Mass Transit District's (the District) fleet uses diesel, which resulted in the dramatic decrease (the District primarily uses CNG fuel, which is not purchased by the Group).

- Contract services expense decreased 23% ($195,685), due to the departure of the City of Davenport's fleet.

- Utilities expense decreased 64% ($133,008) as the Group continued to incur utility expenses on the former maintenance building as it awaited sale, and in FY15 conducted its operations in a District owned building.

Capital Assets

The net capital assets of the Group remained at a value of $4.9 thousand at June 30, 2015 and 2014. There were no additions and no depreciation was taken in the fiscal year ended June 30, 2015, as these capital assets are no longer actively used by the Group. Additional detail regarding capital assets is presented in Note 4.

Long-Term Debt

The Group's long-term debt, which consists solely of a net pension liability, decreased $376,345 during fiscal year 2015. The Group participates in the Iowa Public Employees' Retirement System (IPERS) and the decrease in the Group's long-term liability is the result of better than projected investment returns for IPERS in recent years. Additional detail regarding IPERS is presented in Note 5.

Economic Trends

The sale of the former facility took place in September 2015. It is expected that this will significantly decrease expenses in fiscal year 2016, as the carrying costs of the older building are eliminated. The members are transitioning their management and oversight procedures to more effectively reflect the current needs of the Group. Management anticipates price increases for fuel and materials in the coming year.

Contacting the Group's Management

The Group has presented only two years of information in this management's discussion and analysis because the adoption of GASB Statement Number 68 has made fiscal year 2013 non-comparable to fiscal years 2015 and 2014. In future years the Group will present three years of information in the management's discussion and analysis.

The financial reports of the Group provide an overview for the public of the financial accountability the Group maintains for the resources received. Further questions concerning this report should be directed to Matt Simaytis, Director of Maintenance, Quad City Garage Policy Group, 4501 4th Avenue, Rock Island, IL 61201.

QUAD CITY GARAGE POLICY GROUP
Statements of Net Position
June 30, 2015 and 2014

	2015	2014 As Restated
ASSETS		
Current Assets		
Cash and Cash Equivalents	$ 199,425	$ 219,476
Accounts Receivable - City of Davenport	-	65,472
Materials and Supplies Inventory, Net of Allowance for Excess and Obsolete Inventory	544,122	590,413
Prepaid Expenses and Other Assets	49,292	39,976
Total Current Assets	792,839	915,337
Capital Assets, Net		
Property and Equipment	177,099	177,099
Less Accumulated Depreciation	(172,162)	(172,162)
Total Capital Assets, Net	4,937	4,937
Total Assets	797,776	920,274
DEFERRED OUTFLOWS OF RESOURCES		
Pension Related Deferred Outflows	133,527	105,499
LIABILITIES		
Current Liabilities		
Accounts Payable and Accrued Expenses	155,480	167,814
Accounts Payable - MetroLINK	200,414	311,329
Accounts Payable - City of Davenport	751	-
Total Current Liabilities	356,645	479,143
Noncurrent Liabilities		
Net Pension Liability	716,019	1,092,364
Total Liabilities	1,072,664	1,571,507
DEFERRED INFLOWS OF RESOURCES		
Pension Related Deferred Inflows	346,632	-
NET POSITION		
Net Investment in Capital Assets	4,937	4,937
Unrestricted	(492,930)	(550,671)
Total Net Position	$ (487,993)	$ (545,734)

See Accompanying Notes

QUAD CITY GARAGE POLICY GROUP
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30, 2015 and 2014

	2015	2014 As Restated
Operating Revenue		
Revenue From Sale of Maintenance Services	$ 3,808,508	$ 5,313,958
Operating Expenses		
Wages and Related Employee Benefits:		
Wages	1,098,050	1,213,796
Group Medical, Life, and Disability Insurance	280,000	366,095
Pensions	39,179	755
Social Security and Other Payroll Taxes	85,467	100,363
Worker's Compensation	54,205	57,978
Other	1,859	19,671
Total Wages and Related Employee Benefits	1,558,760	1,758,658
Other Operating Expenses:		
Materials and Supplies Consumed	1,033,307	1,331,742
Fuel and Oil Consumed	278,929	967,106
Contract Services	656,466	852,151
Utilities	76,150	209,158
Casualty and Liability Insurance	50,950	38,407
Lease and Rental	61,157	15,865
Depreciation	-	590
Miscellaneous	35,048	41,936
Total Other Operating Expenses	2,192,007	3,456,955
Total Operating Expenses	3,750,767	5,215,613
Operating Income (Loss)	57,741	98,345
Non-Operating Revenue		
Other Income	-	7,003
Interest Income	-	1
Total Non-Operating Revenue	-	7,004
Net Increase (Decrease) in Net Position	57,741	105,349
Net Position - Beginning of Year, as Previously Reported	(545,734)	441,281
Prior Period Adjustment	-	(1,092,364)
Net Position, Beginning of Year, as Restated	(545,734)	(651,083)
Net Position - End of Year	$ (487,993)	$ (545,734)

See Accompanying Notes

QUAD CITY GARAGE POLICY GROUP
Statements of Cash Flows
For the Years Ended June 30, 2015 and 2014

	2015	2014 As Restated
Cash Flows From Operating Activities		
Cash Receipts from Customers	$ 3,873,980	$ 5,380,128
Cash Payments to Employees for Services, Including Benefits	(1,604,893)	(1,861,078)
Cash Payments to Suppliers for Goods and Services	(2,289,138)	(3,469,373)
Other Operating Activity Cash Receipts	-	7,003
Net Cash Provided by (Used in) Operating Activities	(20,051)	56,680
Cash Flows From Investing Activities		
Interest Received	-	1
Increase (Decrease) in Cash and Cash Equivalents	(20,051)	56,681
Cash and Cash Equivalents - Beginning of Year	219,476	162,795
Cash and Cash Equivalents - End of Year	$ 199,425	$ 219,476

	2015	2014 As Restated
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities		
Operating Income (Loss)	$ 57,741	$ 98,345
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:		
Depreciation	-	590
Other Income	-	7,003
Changes in Assets, Liabilities, and Deferred Outflows and Inflows:		
Accounts Receivable	65,472	12,530
Materials and Supplies Inventory	46,291	44,165
Prepaid Expenses and Other Assets	(9,316)	(17,781)
Pension Related Deferred Outflows	(28,028)	(105,499)
Accounts Payable and Accrued Expenses	(122,498)	17,327
Net Pension Liability	(376,345)	-
Pension Related Deferred Inflows	346,632	-
Net Adjustments	(77,792)	(41,665)
Net Cash Provided by (Used in) Operating Activities	$ (20,051)	$ 56,680

See Accompanying Notes

1. Nature of Operations and the Reporting Entity

The Quad City Garage Policy Group (the Group) was formed in 1979 by the City of Davenport, Iowa and the Rock Island County (Illinois) Metropolitan Mass Transit District (MetroLINK) under Chapters 34, 85, and 127 of the Illinois Revised Statutes and Chapter 28E of the Iowa Code. The purpose of the Group is to oversee and operate a joint maintenance and storage facility for transit revenue vehicles and related equipment. The Group uses a facility located in Rock Island, Illinois at 4501 4th Avenue that is owned by MetroLINK, for which no rent is charged to the Group for the usage. The Group also used a facility, with approximately 75,000 square feet, that formerly housed the maintenance operation and is directly and jointly owned 58 percent by MetroLINK and 42 percent by the City of Davenport. As of June 30, 2015, the City of Davenport was no longer using the services of the Group, but remained a partner.

The Group is administered by a Board of Members (the Board) that acts as the authoritative and legislative body of the entity. The Board is generally comprised of seven members. Three members are appointed by MetroLINK and three members are appointed by the City of Davenport. The City of Davenport and MetroLINK alternate each year in which entity appoints the seventh member. Board members serve a term of one year; there are no term limits for reappointment. At each meeting, there are four voting members – two from MetroLINK and two from the City of Davenport. The other three members include the Chairperson and two alternates.

The Board annually appoints a Chairperson from existing Board members. The Chairperson's responsibilities are to preside at all meetings of the Board; be the chief officer of the Group; perform all duties commonly incident to the presiding officer of a board, commission or business organization; and exercise supervision over the business of the Group, its officers and employees.

Currently the Group's operations are managed by the Director of Maintenance, an employee of MetroLINK. An Assistant Director, also an employee of MetroLINK, oversees operations and provides support to the Director as needed.

The reporting entity of the Group was determined based on the oversight responsibility and scope of the public services provided. Oversight responsibility is measured by the extent of financial interdependency, control over the selection of the governing authority and management, ability to significantly influence operations, and accountability for fiscal matters. Based on these criteria, there are no agencies or other units that have been or should be combined with the financial statements of the Group.

2. Summary of Significant Accounting Policies

a. Reporting Entity - For financial reporting purposes, the reporting entity of the Group includes only the operations of the Quad City Garage Policy Group. The Group has been subsidized by MetroLINK and the City of Davenport based upon the amended Joint Ownership Agreement and Operating Rules for the Group dated May 23, 2000. The latest extension of the agreement had a term of 5 years and ended June 20, 2015. By mutual agreement of the members, the Group will continue to operate until a defined, but as yet undetermined date in the future, under the amended Joint Operating Agreement and Operating Rules with the exception that the City of Davenport will have no financial obligations to the Group.

b. Basis of Accounting - The financial statements of the Group are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Government Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local government. GAAP includes all relevant GASB pronouncements plus other sources of accounting and financial reporting guidance noted in GASB Statement 55, *The Hierarchy of GAAP for State and Local Governments.*

c. New Accounting Standards - For the year ended June 30, 2015, the Group implemented GASB Statement Number 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement Number 27*. The adoption of this standard caused a prior period adjustment to the net position of the Group reported for June 30, 2014. The prior period adjustment is discussed in more detail in Note 8.

d. Cash and Cash Equivalents - For purposes of preparing the statements of cash flows, restricted and unrestricted currency, demand deposits, money market accounts, and highly-liquid investments with a maturity of three months or less at issuance are considered cash and cash equivalents.

e. Accounts Receivable - Accounts receivable includes outstanding balances from the Group's member entities. No allowance has been provided for these receivables, as management believes these are fully collectible based on past experience with these funding sources.

f. Inventory - Inventory is stated at the lower of cost (weighted average method) or market, and includes items to support the Group's operations. The allowance for obsolete or excess inventory, was $0 and $65,271 at June 30, 2015 and 2014, respectively.

g. Capital Assets - Capital assets are stated at historical cost. An asset is capitalized if the cost is greater than $5,000 and has an estimated useful life longer than one year. Depreciation is provided using the straight-line method over the estimated useful life of the capital assets. The major categories of Group's capital assets and their estimated useful lives are as follows at June 30, 2015 and 2014:

	Estimated useful life
Garage Machinery and Equipment	7-40 years
Office Furnishings and Equipment	7 years

h. Deferred Outflows of Resources - The financial statement element deferred outflows of resources represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Group has one item that qualifies for reporting in this category as of June 30, 2015 and 2014. The item, pension related deferred outflows consists of unrecognized items not yet charged to pension expense and contributions from the Group after the measurement date of the net pension liability, June 30, 2014 and 2013, but before the end of the Group's reporting periods of June 30, 2015 and June 30, 2014, respectively. This item will be included in the net pension liability and pension expense calculation in subsequent fiscal years.

i. Deferred Inflows of Resources - The financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Group has one item that qualifies for reporting in this category as of June 30, 2015. The item, pension related deferred inflows, consists of the unamortized portion of the net difference between projected and actual earnings on pension plan investments. This item will be included in the net pension liability and pension expense calculation in subsequent fiscal years.

j. Compensated Absences - Employees accumulate vacation hours for subsequent use or for payment upon separation from employment with the Group. The accumulated vacation liability has been presented as an entirely current liability by choice of management, rather than as a result of scheduled payout requirements. The liability is included in accounts payable and accrued expenses on the statements of net position, and was $43,973 and $41,910 as of June 30, 2015 and 2014, respectively.

   Two other types of compensated absences that the Group provides are sick leave and holiday hours. Sick leave automatically terminates on the day an employee quits or is terminated. However, if an employee retires, he or she is entitled to 70 percent of accumulated sick leave hours in excess of 720 hours up to 2,400 hours, as computed at their straight-time hourly rate at retirement. Holiday hours are lost at the end of the year if not taken. The Group had no vested sick leave liability as of June 30, 2015 or 2014.

k. Net Position - The Group's net position is classified as follows:

   - Net Investment in Capital Assets - This represents the Group's total investment in capital assets net of accumulated depreciation and related debt that has been used as of the statement of net position date to finance capital additions.

   - Restricted Net Position - This includes resources that the Group is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties or enabling legislation.

   - Unrestricted Net Position - This includes resources the Group may use at the discretion of the Board to meet current expenses for any purpose.

When both restricted and unrestricted resources are available to finance expenses for which restricted resources exist, it is the Group's policy to first apply restricted resources to such expenses.

l. Operating Revenue - Operating revenue consists of sales of maintenance services to MetroLINK (for 2015 and 2014) and the City of Davenport (for 2014) as described in the amended Joint Ownership Agreement and Operating Rules. Non-operating revenue consists of miscellaneous receipts from sales of obsolete parts, oil recycling, and vending machine income.

m. Pension - 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 Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The net pension liability is a significant estimate as discuss in more detail at Note 5.

n. Estimates - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

3. Cash and Cash Equivalents

The Group is authorized to invest excess funds in instruments outlined under Chapter 30, Section 235, of the Illinois Compiled Statutes. Such instruments include obligations of the U.S. Treasury, savings accounts, certificates of deposit, and money market mutual funds.

Custodial Credit Risk – Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Group's deposits may not be returned to it. The Group does not have a formal investment policy. At June 30, 2015, the Group's bank deposits of $225,579, which reconciles to a statement of net position value of $199,425, were fully insured by the FDIC.

4. Capital Assets

The following table provides a summary of changes in capital assets for the year ended June 30, 2015:

	June 30, 2014	Additions	Disposals	June 30, 2015
Cost:				
Garage Machinery and Equipment	$ 107,218	$ -	$ -	$ 107,218
Office Furnishings and Equipment	69,881	-	-	69,881
Total Cost	177,099	-	-	177,099
Less Accumulated Depreciation:				
Garage Machinery and Equipment	(102,281)	-	-	(102,281)
Office Furnishings and Equipment	(69,881)	-	-	(69,881)
Total Accumulated Depreciation	(172,162)	-	-	(172,162)
Capital Assets, Net	$ 4,937	$ -	$ -	$ 4,937

No depreciation has been provided for the capital assets in fiscal year 2015 as the assets are no longer actively used by the Group. Subsequent to June 30, 2015, the facility formerly used by the Group was sold by the member entities. The Group received none of the sale proceeds resulting from this transaction. As a result, these capital assets will be written off in fiscal year 2016.

The following table provides a summary of changes in capital assets for the year ended June 30, 2014:

	June 30, 2013	Additions	Disposals	June 30, 2014
Cost:				
Garage Machinery and Equipment	$ 107,218	$ -	$ -	$ 107,218
Office Furnishings and Equipment	69,881	-	-	69,881
Total Cost	177,099	-	-	177,099
Less Accumulated Depreciation:				
Garage Machinery and Equipment	(101,690)	(591)	-	(102,281)
Office Furnishings and Equipment	(69,881)	-	-	(69,881)
Total Accumulated Depreciation	(171,571)	(591)	-	(172,162)
Capital Assets, Net	$ 5,528	$ (591)	$ -	$ 4,937

5. Pension and Retirement Benefits

Plan Description – Employees of the Group are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service)
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65. Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. The statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, regular members contributed 5.95 percent of pay and the Group contributed 8.93 percent for a total rate of 14.88 percent.
The Group's total contributions to IPERS for the year ended June 30, 2015 were $94,145.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the Group reported a liability of $716,019 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Group's proportion of the net pension liability was based on the Group's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the Group's collective proportion was .0176922 percent which was a decrease of .0016008 percent from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Group recognized pension expense of $36,403. At June 30, 2015, the Group reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	$ 7,782	$ -
Changes of Assumptions	31,600	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	273,069
Changes in Proportion and Difference Between Group Contributions and Proportionate Share of Contributions	-	73,563
Group Contributions Subsequent to the Measurement Date	94,145	-
Total	$ 133,527	$ 346,632

The $94,145 reported as deferred outflows of resources related to pensions resulting from the Group's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended June 30,	
2016	$ (77,659)
2017	(77,659)
2018	(77,659)
2019	(77,659)
2020	3,386
Total	$ (307,250)

There were no non-employer contributing entities in relation to the Group's IPERS pension.

Actuarial Assumptions – The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (Effective June 30, 2014)	3.00 percent per annum
Rates of Salary Increases (Effective June 30, 1999)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group
Long-term Investment Rate of Return (Effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

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

Asset Class	Asset Allocation Percentage	L-T Expected Real Rate of Return
U.S. Equity	23	6.31
Non U.S. Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Estate	2	6.27
Cash	1	-0.69
Total	100	

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

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

	1% Decrease (6.5%)	Discount Rate Used (7.5%)	1% Increase (8.5%)
Group's Proportionate Share of of the Net Pension Liability	$ 1,379,385	$ 716,019	$ 129,678

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to the Pension Plan – At June 30, 2015, the Group reported payables to the defined benefit pension plan of $7,029 for legally required employer contributions and $4,684 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

6. Related Party Transactions

The Group's operating revenue for the year ended June 30, 2015 was earned entirely from MetroLINK, one of the Group's joint owners. The Group's operating revenue for the year ended June 30, 2014 was earned entirely from the Group's two joint owners, MetroLINK ($3,856,390) and the City of Davenport ($1,457,568). At June 30, 2015, the Group had accounts payable due to the joint owners resulting from the excess of estimated payments versus actual invoices for services in the amounts of $200,414 due to MetroLINK and $751 due to the City of Davenport. At June 30, 2014, the Group had accounts receivable due from the City of Davenport resulting from the excess of actual invoices for services versus estimated payments in the amount of $65,472 and accounts payable due to the MetroLINK resulting from the excess of estimated payments versus actual invoices for services in the amount of $311,329.

7. Risk of Loss

Significant losses are covered by commercial insurance for property, liability, and worker's compensation. During 2015 and 2014, there were no significant reductions in coverage. Also, there have been no settlement amounts that have exceeded insurance coverage in the past three years.

8. Prior Period Adjustment

The statement of revenues, expenses, and changes in net position for the year ended June 30, 2014, includes a prior period adjustment to account for the implementation of GASB Statement Number 68, *Accounting and Financial Reporting for Pensions*. This standard has been applied retrospectively and is the reason the 2014 information in each financial statement is identified as restated. This change reduced total net position on the statement of revenues, expenses, and changes in net position as of June 30, 2013 by $1,092,364. The effect of adopting the standard increased the net increase in net position for the year ended June 30, 2014 by $105,499 as the result of decreasing the reported pension expense for fiscal year 2014 by $105,499.

QUAD CITY GARAGE POLICY GROUP
Schedule of Proportionate Share of the Net Pension Liability
Iowa Public Employees' Retirement System
Last Fiscal Year

Required Supplementary Information
(Unaudited)

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

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

QUAD CITY GARAGE POLICY GROUP
Schedule of Contributions
Iowa Public Employees' Retirement System
Last Four Fiscal Years

Required Supplementary Information
(Unaudited)

	2015	2014	2013	2012
Statutorily Required Contribution	$ 94,145	$ 105,499	$ 108,184	$ 103,305
Contributions in Relation to the Statutorily Required Contribution	94,145	105,499	108,184	103,305
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Group's Covered-employee Payroll	$ 1,181,400	$ 1,181,400	$ 1,247,797	$ 1,280,112
Contribution as a Percentage of Covered-employee Payroll	7.97%	8.93%	8.67%	8.07%

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

Changes of Benefit and Funding Terms:

The following changes were made by the Iowa Legislature and are reflected in the valuation performed as of June 30, 2014:

No changes

Changes of Actuarial Assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees to the RP-2000 Healthy Annuitant Table using generational mortality projections with no age limit.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the Unfunded Actuarial Liability (UAL) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

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

To the Board of Members
Quad City Garage Policy Group
Rock Island, Illinois

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Quad City Garage Policy Group (the Group), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Group's basic financial statements and have issued our report thereon dated September 30, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Group'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 Group's internal control. Accordingly, we do not express an opinion on the effectiveness of the Group'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 and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Martin, Hood, Friese & Associates, LLC

Champaign, Illinois
September 30, 2015