QUAD CITY GARAGE POLICY GROUP

Rock Island, Illinois

Financial Statements

For the Years Ended

June 30, 2016 and 2015

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), a component unit of the Rock Island County Metropolitan Mass Transit District, as of and for the year ended June 30, 2016, 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 financial position of the Group as of June 30, 2016, 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.

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 8 and the Schedule of Proportionate Share of the Net Pension Liability – IPERS and Schedule of Contributions – IPERS and the related notes on pages 23 through 25 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 29, 2016, 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 29, 2016

MANAGEMENT'S DISCUSSION & ANALYSIS

<u>About the Financial Statements of Quad City Garage Policy Group</u>

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, 2016 and 2015. 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 9 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 page 10 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 resulting from operating 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 page 11 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 12 through 22 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 8 and pages 23 through 25.

FY16 Financial Highlights

The Group is showing net operating income for the fiscal years 2016 and 2015 of $74,896 and $57,741, respectively.

FY15 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)

	2016	2015	2014
Current Assets	$ 911.5	$ 797.3	$ 915.4
Capital Assets, Net of Depreciation	-	4.9	4.9
Total Assets	911.5	802.2	920.3
Deferred Outflows of Resources	238.8	133.5	105.5
Total Assets and Deferred Outflows of Resources	1,150.3	935.7	1,025.8
Current Liabilities	470.4	361.1	479.1
Non-Current Liabilities	760.3	716.0	1,092.4
Total Liabilities	1,230.6	1,077.1	1,571.5
Deferred Inflows of Resources	337.7	346.6	-
Total Liabilities and Deferred Inflows of Resources	1,568.3	1,423.7	1,571.5
Net Position:			
Net Investment in Capital Assets	-	4.9	4.9
Unrestricted	(418.0)	(492.9)	(550.6)
Total Net Position	$ (418.0)	$ (488.0)	$ (545.7)

FY16 Overall Financial Position

For the year ended June 30, 2016, the Group's total net position increased from ($487,993) to ($418,034). Unrestricted net position used to finance the Group's operations increased by 15.19 percent from ($492,930) to ($418,034). The Group has no restrictions on its net position. This year's increase in net position is illustrated in the Operating Results schedule below.

FY15 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)

	2016	2015	2014
Operating Revenue:			
Sale of Maintenance	$ 3,543.0	$ 3,808.5	$ 5,313.9
Less: Operating Expenes	3,468.1	3,750.8	5,215.6
Operating Income	74.9	57.7	98.3
Non-Operating Revenue (Expenses):			
Other	(4.9)	-	7.0
Increase in Net Position	70.0	57.7	105.3
Net Position, Beginning of Year	(488.0)	(545.7)	(651.0)
Net Position, End of Year	$ (418.0)	$ (488.0)	$ (545.7)

FY16 Change in Net Position Analysis

For the year ended June 30, 2016, the Group's operating revenue decreased by $265,545. The Group's revenue is based on a direct reimbursement of expenses. Therefore, the decrease in sales is directly attributable to less need from the Rock Island County Metropolitan Mass Transit District (The District) for labor and parts.

Total operating expenses decreased in the current year by $282,699, or 8 percent. A few of the significant line item increases and/or decreases were as follows:

- Wages and related employee benefits increased by 3 percent from the prior year ($42,768). This was largely due to an increase in the labor contract, but was offset by the reduction of overtime staffing.

- Materials expense decreased 4 percent ($40,701), due to better management of warranty issues.
- Fuel expense decreased 45 percent ($126,318). The District elected mid-year to purchase fuel, thus reducing fuel inventory to zero for the Group.
- Utilities expense decreased 90 percent ($68,744). In September 2015, the building located at the Group's former location was sold. Utilities expense for the current location will be zero as the District is responsible for these costs in the new building.
- Leases and Rentals Expense decreased 91% ($55,928) due to the end of a lease for a ride-on floor scrubber.
- Miscellaneous Expenses returned to a normal range after an unusual one-time expense in FY2015.

FY15 Change in Net Position Analysis

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.

FY 16 Capital Assets

The Group disposed of all assets valued at $4.9 thousand during FY16. There were no additions and no depreciation was taken in the fiscal year ended June 30, 2016, as these capital assets are no longer actively used by the Group. Additional detail regarding capital assets is presented in Note 4.

FY15 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.

FY16 Long-Term Debt

The Group's long-term debt, which consists solely of a net pension liability, increased $44,246 during fiscal year 2016. The Group participates in the Iowa Public Employees' Retirement System (IPERS) and the increase in the Group's long-term liability is the result of projected investment returns for IPERS in recent years. Additional detail regarding IPERS is presented in Note 5.

FY15 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 maintenance facility took place in September 2015. The decrease in expenses associated with the building is reflected in the FY16 costs. Fiscal year 2017 will be the first full year without facility related expenses. The anticipated arrival of twelve new buses to the District's fleet in late 2016 should result in less maintenance sales and expenses for the upcoming fiscal year.

Contacting the Group's Management

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, 2016 and 2015

	2016	2015
Assets		
Current Assets		
Cash and Cash Equivalents	$ 330,615	$ 199,425
Accounts Receivable - City of Davenport	3,924	4,485
Accounts Receivable - Employees	194	-
Materials and Supplies Inventory	533,191	544,122
Prepaid Expenses and Other Assets	43,560	49,292
Total Current Assets	911,484	797,324
Capital Assets, Net		
Property and Equipment	-	177,099
Less Accumulated Depreciation	-	(172,162)
Total Capital Assets, Net	-	4,937
Total Assets	911,484	802,261
Deferred Outflows of Resources		
Pension Related Deferred Outflows	238,817	133,527
Liabilities		
Current Liabilities		
Accounts Payable and Accrued Expenses	173,818	155,480
Unearned Revenue - MetroLINK	296,535	200,414
Accounts Payable - City of Davenport	-	5,236
Total Current Liabilities	470,353	361,130
Noncurrent Liabilities		
Net Pension Liability	760,265	716,019
Total Liabilities	1,230,618	1,077,149
Deferred Inflows of Resources		
Pension Related Deferred Inflows	337,717	346,632
Net Position		
Net Investment in Capital Assets	-	4,937
Unrestricted	(418,034)	(492,930)
Total Net Position	$ (418,034)	$ (487,993)

See Accompanying Notes

Exhibit B

QUAD CITY GARAGE POLICY GROUP
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30, 2016 and 2015

	2016	2015
Operating Revenue		
Revenue From Sale of Maintenance Services	$ 3,542,964	$ 3,808,508
Operating Expenses		
Wages and Related Employee Benefits:		
Wages	1,120,418	1,098,050
Group Medical, Life, and Disability Insurance	307,582	280,000
Social Security and Other Payroll Taxes	94,564	85,467
Worker's Compensation	49,130	54,205
Pensions	27,524	39,179
Other	2,310	1,859
Total Wages and Related Employee Benefits	1,601,528	1,558,760
Other Operating Expenses:		
Materials and Supplies Consumed	992,606	1,033,307
Contract Services	666,852	656,466
Fuel and Oil Consumed	152,611	278,929
Casualty and Liability Insurance	37,135	50,950
Utilities	7,406	76,150
Lease and Rental	5,229	61,157
Miscellaneous	4,701	35,048
Total Other Operating Expenses	1,866,540	2,192,007
Total Operating Expenses	3,468,068	3,750,767
Operating Income (Loss)	74,896	57,741
Non-Operating Revenue (Loss)		
Loss on Disposal of Assets	(4,937)	-
Net Increase (Decrease) in Net Position	69,959	57,741
Net Position - Beginning of Year	(487,993)	(545,734)
Net Position - End of Year	$ (418,034)	$ (487,993)

See Accompanying Notes

Exhibit C

QUAD CITY GARAGE POLICY GROUP
Statements of Cash Flows
For the Years Ended June 30, 2016 and 2015

	2016	2015
Cash Flows From Operating Activities		
Cash Receipts from Customers	$ 3,634,410	$ 3,763,816
Cash Payments to Employees for Services, Including Benefits	(1,661,021)	(1,604,893)
Cash Payments to Suppliers for Goods and Services	(1,842,199)	(2,178,974)
Net Cash Provided by (Used in) Operating Activities	131,190	(20,051)
Cash and Cash Equivalents - Beginning of Year	199,425	219,476
Cash and Cash Equivalents - End of Year	$ 330,615	$ 199,425
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities		
Operating Income (Loss)	$ 74,896	$ 57,741
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:		
Changes in Assets, Liabilities, and Deferred Outflows and Inflows:		
Accounts Receivable	367	65,472
Materials and Supplies Inventory	10,931	46,291
Prepaid Expenses and Other Assets	5,732	(9,316)
Pension Related Deferred Outflows	(105,290)	(28,028)
Accounts Payable and Accrued Expenses	13,102	(11,583)
Unearned Revenue	96,121	(110,915)
Net Pension Liability	44,246	(376,345)
Pension Related Deferred Inflows	(8,915)	346,632
Net Adjustments	56,294	(77,792)
Net Cash Provided by (Used in) Operating Activities	$ 131,190	$ (20,051)

See Accompanying Notes

QUAD CITY GARAGE POLICY GROUP
Notes to the Basic Financial Statements
June 30, 2016 and 2015

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 (City of Davenport) 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 was to oversee and operate a joint maintenance and storage facility for transit revenue vehicles and related equipment for the two local governments. As of June 30, 2015, the City of Davenport discontinued using the services of the Group, but remained a partner in a facility jointly owned with MetroLINK, which was sold in fiscal year 2016. The City of Davenport retains representation on the Board of the Group.

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 comprised of three members. Two members are appointed by MetroLINK and one member is appointed by the City of Davenport.

As the Group provides services only to MetroLINK and as MetroLINK appoints the majority of the Group's Board, the Group is considered a blended component unit of MetroLINK effective in the fiscal year end June 30, 2016.

The Group's operations are managed by the Director of Maintenance of MetroLINK with assistance from the Assistant Director of Maintenance of MetroLINK. The Group's operations are housed in a facility located in Rock Island, Illinois at 4501 4th Avenue, that is owned by MetroLINK. The Group is charged no rent for the use of the facility.

2. Summary of Significant Accounting Policies

a. Reporting Entity – In determining the financial reporting entity, the Group complies with the provisions of Government Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34.* For financial reporting purposes, the reporting entity of the Group includes only the operations of the Quad City Garage Policy Group. 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 into the financial statements of the Group. However, the Group itself is a blended component unit of MetroLINK, which means the Group is operationally a department of MetroLINK, effective for fiscal year 2016, due to the operational control MetroLINK assumed with the revision of the Board structure during the fiscal year.

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). GASB is responsible for establishing GAAP for state and local governments. GAAP includes all relevant GASB pronouncements plus other sources of accounting and financial reporting guidance noted in GASB Statement 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.*

c. New Accounting Standards – For the year ended June 30, 2016, the Group implemented GASB Statement Number 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement Number 27*.

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 mainly 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 at June 30, 2016 and 2015.

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, 2016 and 2015:

	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, 2016 and 2015. The item, pension related deferred outflows, consists of unrecognized items not yet charged to pension expense and contributions to the pension from the Group after the measurement date of the net pension liability, June 30, 2015 and 2014, but before the end of the Group's reporting periods of June 30, 2016 and June 30, 2015, 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, 2016 and 2015. The item, pension related deferred inflows, consists of unrecognized items not yet applied against pension expense. 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 entire accumulated vacation liability has been presented as a 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 $45,917 and $43,973 as of June 30, 2016 and 2015, 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 leaves employment with the Group. 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, 2016 or 2015.

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. Non-operating revenue, if any, generally 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 discussed in more detail in Note 6.

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, 2016, $91,951 of the Group's bank deposits of $341,951, which reconciles to a statement of net position value of $330,615, were uninsured and uncollateralized.

4. Capital Assets

The following table provides a summary of changes in capital assets for the year ended June 30, 2016:

	June 30, 2015	Additions	Disposals	June 30, 2016
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	$ -

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 years 2016 or 2015 as the assets were no longer actively used by the Group. These capital assets were written off in fiscal year 2016.

5. Long-term Liabilities Activity

The Group had the following long-term liability activity during the fiscal year ended June 30, 2016:

	June 30, 2015	Additions	Deletions	June 30, 2016	Due Within One Year
Liability:					
Compensated Absences	$ 43,973	$ 60,586	$ 58,642	$ 45,917	$ 45,917
Net Pension Liability	716,019	138,391	94,145	760,265	-
Total	$ 759,992	$ 198,977	$ 152,787	$ 806,182	$ 45,917

The Group had the following long-term liability activity during the fiscal year ended June 30, 2015:

	June 30, 2014	Additions	Deletions	June 30, 2015	Due Within One Year
Liability:					
Compensated Absences	$ 41,910	$ 61,509	$ 59,446	$ 43,973	$ 43,973
Net Pension Liability	1,092,364	-	376,345	716,019	-
Total	$ 1,134,274	$ 61,509	$ 435,791	$ 759,992	$ 43,973

6. 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.

<u>Disability and Death Benefits</u> – 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.

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

In fiscal year 2016, pursuant to the required rate, regular members contributed 5.95 percent of pay and the Group contributed 8.93 percent for a total rate of 14.88 percent.

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

<u>Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions</u> – At June 30, 2016, the Group reported a liability of $760,265 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Group's proportion of the net pension liability was based on the Group's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2015, the Group's collective proportion was .0152927 percent, which was a decrease of .0023995 percent from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Group recognized IPERS pension expense of $22,688, which is included in Pensions operating expense on the statement of revenues, expenses, and changes in net position along with other non-IPERS pension expenses incurred by the Group. At June 30, 2016, the Group reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	$ 11,487	$ -
Changes of Assumptions	20,932	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	113,751	177,026
Changes in Proportion and Difference Between Group Contributions and Proportionate Share of Contributions	-	160,691
Group Contributions Subsequent to the Measurement Date	92,647	-
Total	$ 238,817	$ 337,717

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

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

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

Actuarial Assumptions – The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

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

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

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

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

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

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

Payables to the Pension Plan – At June 30, 2016, the Group reported payables to the defined benefit pension plan of $7,146 for legally required employer contributions and $4,762 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

7. Related Party Transactions

The Group's operating revenue for the years ended June 30, 2016 and 2015 was earned entirely from MetroLINK, one of the Group's joint owners. At June 30, 2016 and 2015, the Group had accounts receivable resulting from the excess of earned revenue versus estimated payments from services of $3,924 and $4,485, respectively, due from the City of Davenport, one of the Group's joint owners. At June 30, 2016 and 2015, the Group had unearned revenue resulting from the excess of estimated payments versus earned revenue in the amount of $297,096 and $200,414, respectively, for MetroLINK. At June 30, 2015, the Group had accounts payable due to the City of Davenport in the amount of $5,236.

8. Risk of Loss

Significant losses are covered by commercial insurance for property, liability, and worker's compensation. During 2016 and 2015, there were no significant reductions in coverage. Also, there have been no settlement amounts that have exceeded insurance coverage in the past three years.

9. Reclassifications

The following reclassifications have been made to amounts presented in the 2015 column of the basic financial statements to conform to the presentation of the 2016 column:

- Statement of Net Position (Exhibit A) – $4,485 currently presented as Accounts Receivable – City of Davenport in the 2015 column was previously presented against Accounts Payable – City of Davenport.

- Statement of Cash Flows (Exhibit C) – Certain transactions have been moved between the Cash Receipts from Customers line and the Cash Payments to Suppliers for Goods and Services line and between the Accounts Payable and Accrued Expenses line and the Unearned Revenue line.

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

Required Supplementary Information
(Unaudited)

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

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

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

Required Supplementary Information
(Unaudited)

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

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

Changes of Benefit and Funding Terms:

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

No changes

Changes of Actuarial Assumptions:

The 2015 valuation implemented the following refinements:

No changes

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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, 2016, 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 29, 2016.

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 29, 2016