

**Rockford Mass Transit District
Enterprise and Fiduciary Funds
(A Component Unit of the
City of Rockford, Illinois)**

Financial Statements and
Supplementary Information

June 30, 2023 and 2022

**Rockford Mass Transit District
Enterprise and Fiduciary Funds
(A Component Unit of the City of Rockford, Illinois)**

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**Rockford Mass Transit District
Enterprise and Fiduciary Funds
(A Component Unit of the City of Rockford, Illinois)**

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Independent Auditors' Report

To the Board of Trustees of
Rockford Mass Transit District

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and fiduciary activities of Rockford Mass Transit District (the District), a component unit of the City of Rockford, Illinois, as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2023 and 2022, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. The fiduciary activities were not audited in accordance with *Government Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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 District's internal control over financial reporting and compliance.

Baker Tilly US, LLP

Madison, Wisconsin
December 27, 2023

Rockford Mass Transit District (RMTD)
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2023 and 2022
(Unaudited)

This section of the Rockford Mass Transit District's (RMTD) annual financial report presents a discussion and analysis of RMTD's financial performance during the fiscal year that ended June 30, 2023 and 2022. Please read this section in conjunction with the transmittal letter at the front of this report and RMTD's financial statements that follow this section.

FINANCIAL HIGHLIGHTS

- Total operating revenues for fiscal year 2023, at \$1,249,411, was 7.49% higher than the comparable fiscal year 2022 total operating revenues of \$1,162,326. *Fixed Route passenger service* for fiscal year 2023, at 887,551 was 10.98% higher than the comparable fiscal year 2022 fixed route passenger service of 799,705. Paratransit passenger service for fiscal year 2023, at 107,254 was 4.04% lower than the comparable fiscal year 2022 paratransit passenger service of 111,771.
- Total operation and maintenance expenses for fiscal year 2023, at \$20,981,245, was 4.98% higher than the comparable total operation and maintenance expenses for fiscal year 2022 of \$19,985,867.
- Total operating subsidies for fiscal year 2023, at \$20,424,360, was 6.87% higher than the comparable total operating subsidies for fiscal year 2022 of \$19,111,464.
- Total net position for fiscal year 2023 at \$37,464,610, was 15.12% higher than the comparable total net assets for fiscal year 2022 of \$32,543,871.
- Total noncurrent assets comprised of capital assets (net of depreciation) for fiscal year 2023, at \$39,357,526, was 12.06% higher than the comparable total noncurrent assets for fiscal year 2022 of \$35,123,393.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of this annual report consists of six parts: management's discussion and analysis (this section), the basic financial statements, the required supplementary information, other supplemental information, the Illinois Department of Transportation and reports on federal awards.

The financial statements provide both short-term and long-term information about RMTD's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of other supplementary information that further explains and supports the information in the financial statements.

RMTD's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units on an accrual basis. Under this basis, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of assets is recognized in the Statements of Revenues, Expenses, and Changes in Net Assets. All assets and liabilities associated with the operation of RMTD are included in the Statements of Net Assets.

FINANCIAL ANALYSIS OF THE RMTD

Statement of Net Position

RMTD's total net position on June 30, 2023 totaled \$37,464,610 a 15.12% increase from the June 30, 2022 total net position that totaled \$32,543,871. (See Table A-1.) Total assets & deferred outflow of resources increased 7.19% to \$52,910,200 and total liabilities decreased 7.58% to \$15,380,771.

Table A-1
Rockford Mass Transit's Total Net Position
(in thousands of dollars)

	2023	2022	2023-2022 %Change	2021
Current assets	\$ 11,318.9	\$ 10,709.0	5.70%	\$ 10,751.4
Non-current assets	39,357.5	35,123.4	12.05%	28,885.5
Pension deferred outflows	2,233.8	3,528.3	-36.69%	1,113.8
Total Assets & Deferred Outflows	\$ 52,910.2	\$ 49,360.7	7.19%	\$ 40,750.7
Current liabilities	\$ 2,888.4	\$ 3,314.2	-12.85%	\$ 3,147.9
Lease Liability	1,809.2	1,969.4	-8.13%	-
Deferred credits	2,243.1	1,987.3	12.87%	2,230.3
Pension liability	5,568.6	6,493.0	-14.24%	1,561.9
Post-Employment Benefits Obligations	2,871.5	2,878.2	-0.23%	2,733.6
Total Liabilities	15,380.8	16,642.1	-7.58%	9,673.7
Pension deferred inflows of resources	64.8	174.7	-62.91%	2,693.7
Net assets:				
Inv. in capital assets, net of related debt	37,388.1	33,000.6	13.30%	28,885.4
Restricted for EBT, Pub Liab & W/C	-	-	0.00%	81.6
Unrestricted	76.5	(456.7)	-116.75%	(583.7)
Total Net Position	37,464.6	32,543.9	15.12%	28,383.3
Total Liab., Def. Inflows & Net Position	\$ 52,910.2	\$ 49,360.7	7.19%	\$ 40,750.7

The total current assets for fiscal year 2023, at \$11,318,889, increased by 5.70% in comparison to the current assets for fiscal year 2022 of \$10,708,961.

The total current assets for fiscal year 2022, at \$10,708,961, decreased by 0.39% in comparison to the current assets for fiscal year 2021 of \$10,751,443.

The current liabilities for fiscal year 2023, of \$2,888,381, decreased by 12.85% in comparison to the current liabilities of fiscal year 2022 of \$3,314,172.

The current liabilities for fiscal year 2022, of \$3,314,172, increased by 5.28% in comparison to the current liabilities of fiscal year 2021 of \$3,147,899.

Capital assets less accumulated depreciation and amortization for fiscal year 2023, at \$39,357,526, increased by 12.06% in comparison to the capital assets less accumulated depreciation and amortization for fiscal year 2022 of \$35,123,393. Six Gillig Electric Buses were purchased during the fiscal year. Depreciation Expense for fiscal year 2023, amounted to \$2,355,832.

Capital assets less accumulated depreciation and amortization for fiscal year 2022, at \$35,123,393, increased by 21.60 in comparison to the capital assets less accumulated depreciation and amortization for fiscal year 2021 of \$28,885,448. Twelve batteries are considered capital assets under leased assets in the amount of \$2,371,716. Five Gillig diesel hybrid buses were also purchased during Fiscal Year ending June 30, 2022. Depreciation Expense for fiscal year 2022, amounted to \$2,159,559 and the Disposition of Assets was \$1,831,026.

In compliance with GASB 68, a net pension liability of \$5,568,641 was recognized during fiscal year 2023 compared to a net pension liability of \$6,492,978 in fiscal year 2022. Investment performance was a major factor in the decreased liability. In accordance with the aforementioned compliance, a pension deferred outflow of \$2,233,785 and a pension deferred inflow of \$64,819 were also recognized. The annual normal contribution to the pension plan was \$1,650,000 for fiscal year 2023.

In compliance with GASB 68, a net pension liability of \$6,492,978 was recognized during fiscal year 2022 compared to a net pension liability of \$1,561,879 in fiscal year 2021. The lack of investment performance was a major factor in the increased liability. In accordance with the aforementioned compliance, a pension deferred outflow of \$3,528,316 and a pension deferred inflow of \$174,752 were also recognized. The annual normal contribution to the pension plan was \$1,600,000 for fiscal year 2022.

In compliance with GASB 75, the other post-employment obligation (liability) for the fiscal year end June 30, 2023 decreased by \$6,658, to \$2,871,504 from \$2,878,162.

In compliance with GASB 75, the other post-employment obligation (liability) for the fiscal year end June 30, 2022 increased by \$144,466, to \$2,878,162 from \$2,733,696.

Statement of Revenues, Expenses and Changes in Net Position

The total net position for fiscal year 2023, was \$37,464,610 compared to a net position of \$32,543,871 at the end of fiscal year 2022. (See Table A-2.)

The total net position for fiscal year 2022, was \$32,543,871 compared to a net position of \$28,383,270 at the end of fiscal year 2021.

Table A-2
Rockford Mass Transit's Statement of Revenues, Expenses, and Changes in Net Position
(in thousands of dollars)

	2023	2022	2023-2022 % Change	2021
Operating Revenues:				
Passenger fares	\$ 1,086.6	\$ 998.1	8.87%	\$ 494.8
Advertising	73.5	89.5	-17.88%	126.8
Other	89.3	74.7	19.54%	89.6
Total operating revenues	1,249.4	1,162.3	7.49%	711.2
Operating Expenses:				
Operating expenses	20,981.3	19,985.9	4.98%	17,693.0
Provision for depreciation	2,355.8	2,159.6	9.09%	2,162.2
Total operating expenses	23,337.1	22,145.5	5.38%	19,855.2
Operating loss	22,087.7	20,983.2	5.26%	19,144.0
Total operating subsidies	20,424.3	19,111.5	6.87%	18,740.4
Capital contributions	6,590.0	6,025.8	9.36%	4,776.0
Investment income & other	(5.9)	6.5	-190.77%	(16.0)
Total nonoperating rev. & capital contr.	27,008.4	25,143.8	7.42%	23,500.4
Change in net position	4,920.7	4,160.6	18.27%	4,356.4
Net position, beginning of the year	32,543.9	28,383.3	14.66%	24,026.9
Net Position - End Of Year	\$ 37,464.6	\$ 32,543.9	15.12%	\$ 28,383.3

RMTD's total operating revenues increased by 7.49% to \$1,249,411 from \$1,162,326. Recovery of service usage after the pandemic was still occurring during the fiscal year end June 30, 2023, While Demand Response service has rebounded faster than Fixed Route service, the challenge of service use of both, exists in our region regarding economic recovery due to COVID-19 and the shutdown that occurred.

RMTD's total operating revenues increased by 63.43% to \$1,162,326 from \$711,242. Recovery of service usage after the pandemic was still occurring during the fiscal year end June 30, 2022, While Demand Response service has rebounded faster than Fixed Route service, the challenge of service use of both, exists in our region regarding economic recovery due to COVID-19 and the shutdown that occurred.

The total operating expenses (including depreciation) increased by 5.38% to \$23,337,077 from \$22,145,426.

The total operating expenses (including depreciation) increased by 11.54% to \$22,145,426 from \$19,855,227.

The capital contribution for fiscal year 2023, at \$6,589,964, was 9.36% higher than the comparable capital contribution for fiscal year 2022 of \$6,025,790.

The capital contribution for fiscal year 2022, at \$6,025,790, was 26.17% higher than the comparable capital contribution for fiscal year 2021 of \$4,775,989. The capital contributions for fiscal year 2022 was primarily the purchase of 5 Gillig hybrid buses and a battery lease agreement for an upcoming purchase of six electric buses.

Operating Expenses

Total operating expenses per the schedule of operating schedule for fiscal year 2023, at \$20,715,955, increased by 4.83% in comparison to fiscal year 2022 of \$19,761,526. (See Table A-3 for details by operating function.)

Total operating expenses per the schedule of operating schedule for fiscal year 2022, at \$19,761,526, decreased by 14.83% in comparison to fiscal year 2021 of \$23,202,908.

Table A-3
Rockford Mass Transit's Operation and Maintenance Expenses
(in thousands of dollars)

	2023	2022	2023-2022 % Change	2021
Labor	\$ 7,804.2	\$ 7,704.2	1.30%	\$ 6,904.7
Fringe benefits	7,326.3	7,023.0	4.32%	7,455.9
Services	1,704.5	1,172.1	45.42%	1,058.7
Materials and supplies	2,593.1	2,295.3	12.97%	2,295.6
Utilities	372.4	296.6	25.56%	261.4
Casualty and liability	1,034.3	872.6	18.53%	757.1
Taxes	4.9	5.4	-9.26%	5.1
Purchased transportation	564.8	393.3	43.61%	367.8
Miscellaneous	283.6	291.0	-2.54%	303.1
Leases and rentals	0.2	0.0	0.00%	5.8
Self-insurance trust activity	(972.3)	(292.0)	232.98%	(9.0)
Other	0.0	2.4	-100.00%	1,722.2
Debt Service	0.0	0.0	0.00%	3,796.8
Expenses Per Operating Subsidy	<u>20,716.0</u>	<u>19,763.9</u>	<u>4.82%</u>	<u>24,925.2</u>
Pension Exp Excess GASB 68	0.0	(2.4)	-100.00%	(1,722.3)
Total Operating Cost for Op Sub	<u>20,716.0</u>	<u>19,761.5</u>	<u>4.83%</u>	<u>23,202.9</u>

Labor expenses for fiscal year 2023, at \$7,804,205, were 1.30% higher than the comparable fiscal year 2022 labor wages of \$7,704,207.

Labor expenses for fiscal year 2022, at \$7,704,197, were 11.58% higher than the comparable fiscal year 2021 labor wages of \$6,904,621. The increase is due to qualified employees along the additional expenses due to the Covid Pandemic and filling positions that had been open in fiscal year 2021.

Fringe benefits expenses for fiscal year 2023 were 4.32% higher than the comparable fiscal year 2022 fringe benefits. Fringe Benefits includes sick, holiday and vacation time for all employees. An annual pension contribution in the amount of \$1,650,000 was approved by the RMTD Board for fiscal year ending June 30, 2023. The other main categories under fringe benefits were medical expenditures and workers compensation insurance.

Fringe benefits expenses for fiscal year 2022 were 5.81% lower than the comparable fiscal year 2021 fringe benefits. Fringe Benefits includes sick, holiday and vacation time for all employees. An annual pension contribution in the amount of \$1,600,000 was approved by the RMTD Board for fiscal year ending June 30, 2022. The other main categories under fringe benefits were medical expenditures and workers compensation insurance. Additional staff fillings of unfilled staff positions from the prior year also factor into the increase in fringe benefits.

Services expenses for fiscal year 2023, at \$1,704,407, were 45.41% higher than the comparable fiscal year 2022 services of \$1,172,149. Significant areas of increases were in the professional services (ATU negotiations), repairs and maintenance (revisions for electric vehicles) and security service categories.

Services expenses for fiscal year 2022, at \$1,172,149, were 10.71% higher than the comparable fiscal year 2021 services of \$1,058,702. Security Services increased by \$106,932, in comparison to fiscal year 2021.

Materials and supplies expenses for fiscal year 2023, at \$2,593,092, were 12.97% higher than the comparable fiscal year 2022 material and supplies of \$2,295,299. The increase cost of fuel was the primary increase in this category.

Materials and supplies expenses for fiscal year 2022, at \$2,295,299, were 0.01% lower than the comparable fiscal year 2021 material and supplies of \$2,295,557. COVID-19 identified expenses were \$204,356.

Utilities expenses for fiscal year 2023, at \$372,421, were 25.57% higher than the comparable fiscal year 2022 utilities of \$296,588.

Utilities expenses for fiscal year 2022, at \$296,588, were 13.47% higher than the comparable fiscal year 2021 utilities of \$261,376.

Casualty and liability expenses for fiscal year 2023, at \$1,034,301, were 18.53% higher than the comparable fiscal year 2022 casualty and liability expenses of \$872,608. All areas of insurance were up for fiscal year ending June 30, 2023 in comparison to the previous fiscal year.

Casualty and liability expenses for fiscal year 2022, at \$872,608, were 15.26% higher than the comparable fiscal year 2021 casualty and liability expenses of \$757,145. All areas of insurance were up for fiscal year ending June 30, 2022 in comparison to the previous fiscal year.

Purchased transportation expenses of \$564,822 were operating expenses incurred during fiscal year 2023 by the Boone County Council on Aging (BCCA) for providing urbanized demand response transportation services. The expenses incurred for this service were offset by a portion of the Downstate Operating Grant (DOAP) applied for and received by RMTD along with a local match received by RMTD from their region. In Fiscal Year 2022, the purchased transportation expense incurred for BCCA was \$393,291. A significant increase to the contracted cost per trip was agreed upon by all parties, during fiscal year 2023.

Purchased transportation expenses of \$393,291 were operating expenses incurred during fiscal year 2022 by the Boone County Council on Aging (BCCA) for providing urbanized demand response transportation services. The expenses incurred for this service were offset by a portion of the Downstate Operating Grant (DOAP) applied for and received by RMTD along with a local match received by RMTD from their region. In Fiscal Year 2021, the purchased transportation expense incurred for BCCA was \$367,768.

Miscellaneous expenses for fiscal year 2023, at \$283,611, were 2.52% lower than the comparable fiscal year 2022 miscellaneous expenses of \$290,957. The miscellaneous expense category includes advertising fees and lobbying fees.

Miscellaneous expenses for fiscal year 2022, at \$290,957, were 4.01% lower than the comparable fiscal year 2021 miscellaneous expenses of \$303,113. The miscellaneous expense category includes advertising fees and lobbying fees.

CAPITAL ASSET AND CAPITAL PROJECTS

Capital Assets

The total net capital assets (net of depreciation) for fiscal year 2023, at \$39,318,338, was 11.94% higher than the comparable total net capital assets (net of depreciation) for fiscal year 2022 of \$35,123,393. (See table A-4 for details)

Table A-4
Rockford Mass Transit's Capital Assets
(in thousands of dollars)

	2023	2022	2023-2022 % Change	2021
Land	\$ 2,917.9	\$ 2,917.1	0.03%	\$ 2,894.5
Transit Plant In Service	60,948.1	54,369.1	12.10%	50,195.7
Leased Assets	2,371.7	2,371.7		-
Total Gross Capital Assets	\$ 66,237.7	\$ 59,657.9	11.03%	\$ 53,090.2
Less accumulated depreciation	26,880.2	24,534.5	9.56%	24,204.8
Total Net Capital Assets	<u>\$ 39,357.5</u>	<u>\$ 35,123.4</u>	12.05%	<u>\$ 28,885.4</u>

Capital Projects

The following is a current list, along with a brief description, of the major capital projects that are on RMTD's project agenda:

During Fiscal Year ending June 30, 2023, RMTD awarded 8 – Hybrid Buses at \$890,142 each for a total of \$7,121,136. Awarded 14 Demand Response Medium Duty Vehicles for \$112,809 each for a total of \$1,579,326 plus a change order for a total of \$100,100 to add cameras and upgrade the drivers' seats on all fourteen vehicles. Five shelters were awarded at \$14,865 each for a total of \$74,325 as well as new Fareboxes and Farebox Computer System for a total of \$118,383.80. Also, awarded two change orders for a total of \$68,351 for the CAD/AVL System project which is nearing completion.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

For the fiscal year ending June 30, 2024, the operational budget was submitted to and approved by the Board of Trustees. The total operating expense (excluding depreciation), for the aforementioned timeframe, is projected to be \$24,522,621 compared to \$22,654,912 for fiscal year ending June 30, 2023.

The fiscal year 2024 operational budget includes projected expenditures of \$18,011,306 for fixed route services and \$6,511,315 for paratransit services which includes providing demand response service into the Stateline Mass Transit District (SMTD) area per a contractual relationship with that district. Service to the Stateline Mass Transit District began in February of 2008 and provides demand response service to the South Beloit, Rockton and Roscoe residents with connectivity into the Rockford region. Urban transportation projected expenditures for service to Belvidere & Boone County is budgeted at \$619,281. Fixed routes services were expanded to include the City of Belvidere beginning in October of 2011. A batter lease, under Debt Service of \$344,424 was also budgeted for in fiscal year ending June 30, 2024.

Total operating revenues for the fiscal year ending June 30, 2024 are projected to be \$1,464,503 of which included \$100,000 projected for advertising revenue, \$126,000 for investment income and \$52,764 for non-transportation revenue. Fixed route passenger service is projected at \$619,750 and paratransit service revenue was projected at \$524,811. STMD farebox revenue is projected at \$26,154. BCCA farebox revenue is projected to be \$15,024. The last fare increase was implemented and became effective May 1, 2009.

Total operating assistance, excluding capital contributions, for the fiscal year ending June 30, 2024 are projected to be \$23,058,118. The majority of the non-operating revenues are subsidies from the State of Illinois, federal funds and local matching funds. The State of Illinois subsidy is budgeted to be 65% of eligible expenses.

Note: COVID-19 has continued to disrupt service, increased expenses and reduced local matching funds including fare collection during fiscal year ending June 30, 2020 and into fiscal year June 30, 2024. This will cause and immense change to the information supplied above in comparing budgeted activity compare to actual activity.

It is RMTD's goal to maximize the services that can be provided by RMTD in the most economic and efficient manner without compromising the needs of the current RMTD clients. It is further anticipated that if service can become more efficient, then more people will begin to utilize the RMTD service, for their transportation needs. The changes within our economy and the increased interest in our services from communities to the north and east will be will be some of the challenges that RMTD will face during the new fiscal year. Thanks to the leadership and guidance of the Board of Trustees and management, the staff of RMTD is prepared and ready to meet these foreseeable challenges.

CONTACTING THE RMTD'S FINANCIAL MANAGEMENT

This financial report is designed to provide interested parties with a general overview of RMTD's finances and to demonstrate RMTD's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Rockford Mass Transit District, 520 Mulberry Street, Rockford, IL 61101.

ENTERPRISE FUND

Rockford Mass Transit District
(A Component Unit of the City of Rockford, Illinois)

Statements of Net Position
June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Current assets:		
Cash and investments	\$ 2,391,185	\$ 4,187,623
Cash and investments designated for OPEB	2,879,893	2,735,280
Cash and investments restricted for public liability, employee health insurance and workers compensation claims	242,609	475,890
Grant receivables:		
Federal Transit Administration, operating grants	474,230	548,050
Federal Transit Administration, capital grants	1,296,275	768,810
State of Illinois operating assistance	1,676,435	881,879
State of Illinois capital grant	519,892	15,612
Other receivables	973,068	364,544
Supplies inventory	640,229	512,146
Prepaid expenses	225,073	219,127
	<u>11,318,889</u>	<u>10,708,961</u>
Total current assets		
Noncurrent assets:		
Capital assets:		
Land	1,992,553	1,992,553
Land improvements	925,338	924,521
Transit capital assets in service	60,948,120	54,369,124
Leased assets	2,371,716	2,371,716
Accumulated depreciation	(26,880,201)	(24,534,521)
	<u>39,357,526</u>	<u>35,123,393</u>
Total noncurrent assets		
Total assets	50,676,415	45,832,354
Deferred Outflows of Resources		
Pension deferred outflows of resources	<u>2,233,785</u>	<u>3,528,316</u>
Total assets and deferred outflows of resources	<u>52,910,200</u>	<u>49,360,670</u>

See notes to financial statements

Rockford Mass Transit District
(A Component Unit of the City of Rockford, Illinois)

Statements of Net Position
June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Liabilities		
Current liabilities:		
Accounts payable	\$ 520,994	\$ 744,332
Accrued wages, compensated absences and benefits	1,087,282	1,029,473
Lease liability	160,271	153,370
Pension contributions payable	825,000	800,000
Current liabilities payable from restricted assets:		
Accrued expenses, self-insurance liabilities	294,834	586,997
Total current liabilities	<u>2,888,381</u>	<u>3,314,172</u>
Noncurrent liabilities:		
Pension liability	5,568,641	6,492,978
Unearned revenues	2,243,067	1,987,286
Lease liability	1,809,178	1,969,449
Other post-employment benefit liability	2,871,504	2,878,162
Total noncurrent liabilities	<u>12,492,390</u>	<u>13,327,875</u>
Total liabilities	<u>15,380,771</u>	<u>16,642,047</u>
Deferred Inflows of Resources		
Pension deferred inflows of resources	<u>64,819</u>	<u>174,752</u>
Net Position		
Net investment in capital assets	37,388,077	33,000,574
Unrestricted	<u>76,533</u>	<u>(456,703)</u>
Total net position	<u>\$ 37,464,610</u>	<u>\$ 32,543,871</u>

See notes to financial statements

Rockford Mass Transit District
(A Component Unit of the City of Rockford, Illinois)

Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating Revenues		
Passenger fares	\$ 1,086,613	\$ 998,062
Advertising	73,536	89,515
Other	89,262	74,749
	<u>1,249,411</u>	<u>1,162,326</u>
Operating Expenses		
Transportation	12,522,582	12,139,112
Maintenance	4,387,363	3,498,422
General administration	4,071,300	4,348,333
	<u>20,981,245</u>	<u>19,985,867</u>
Total operation and maintenance expenses	20,981,245	19,985,867
Depreciation expense	<u>2,355,832</u>	<u>2,159,559</u>
Total operating expenses	<u>23,337,077</u>	<u>22,145,426</u>
Operating loss	<u>(22,087,665)</u>	<u>(20,983,100)</u>
Nonoperating Revenues and Expenses		
Investment income	<u>89,608</u>	<u>6,447</u>
Operating subsidies:		
Federal	3,338,624	3,169,241
State of Illinois	13,041,714	12,249,185
City of Rockford	1,548,000	1,750,699
Stateline Mass Transit District	1,557,711	1,147,333
City of Loves Park	448,804	404,539
Village of Machesney Park	261,625	227,615
Boone County	227,882	161,352
Other local assistance	-	1,500
	<u>20,424,360</u>	<u>19,111,464</u>
Total operating subsidies	20,424,360	19,111,464
Interest expense	<u>95,527</u>	<u>-</u>
Total nonoperating revenues and expenses	<u>20,418,441</u>	<u>19,117,911</u>
Income (loss) before contributions	(1,669,225)	(1,865,189)
Capital Contributions, Federal, State and Local	<u>6,589,964</u>	<u>6,025,790</u>
Change in net position	4,920,740	4,160,601
Net Position, Beginning	<u>32,543,871</u>	<u>28,383,270</u>
Net Position, Ending	<u>\$ 37,464,610</u>	<u>\$ 32,543,871</u>

See notes to financial statements

Rockford Mass Transit District
(A Component Unit of the City of Rockford, Illinois)

Statements of Cash Flows

Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows From Operating Activities		
Received from customers	\$ 478,089	\$ 749,492
Received from other sources	162,798	165,764
Paid to suppliers for goods and services	(13,584,977)	(12,833,939)
Paid to employees for services	<u>(7,492,793)</u>	<u>(7,501,834)</u>
Cash flows from operating activities	<u>(20,436,883)</u>	<u>(19,420,517)</u>
Cash Flows From Noncapital Financing Activities		
Cash receipts from operating subsidies	<u>19,703,623</u>	<u>23,234,423</u>
Cash Flows From Investing Activities		
Investment income	<u>89,608</u>	<u>6,447</u>
Cash flows from investing activities	<u>89,608</u>	<u>6,447</u>
Cash Flows From Capital and Related Financing Activities		
Lease payment	(248,897)	(248,897)
Acquisition and construction of capital assets	(6,550,776)	(6,767,848)
Capital contributions, federal, state and local	<u>5,558,219</u>	<u>5,245,255</u>
Cash flows from capital and related financing activities	<u>(1,241,454)</u>	<u>(1,771,490)</u>
Net change in cash and cash equivalents	(1,885,106)	2,048,863
Cash and Cash Equivalents, Beginning	<u>7,398,793</u>	<u>5,349,930</u>
Cash and Cash Equivalents, Ending	<u>\$ 5,513,687</u>	<u>\$ 7,398,793</u>
Noncash Capital and Related Financing Activities		
Lease asset	<u>\$ -</u>	<u>\$ 2,122,729</u>

See notes to financial statements

Rockford Mass Transit District
(A Component Unit of the City of Rockford, Illinois)

Statements of Cash Flows

Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Reconciliation of Operating Loss to Net Cash		
Flows From Operating Activities		
Operating loss	\$ (22,087,665)	\$ (20,983,100)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Nonoperating revenue	-	1,500
Noncash items included in operating loss:		
Depreciation expense	2,355,832	2,159,559
Changes in assets, deferred outflows of resources and liabilities:		
Accounts receivable	(608,524)	(248,570)
Supplies inventory	(128,083)	(87,519)
Prepaid expenses	(5,946)	(174,430)
Accounts payable	(237,526)	123,867
Accrued expenses, self-insurance liabilities	(292,163)	(171,227)
Accrued expenses, other	57,809	60,263
Advance from City of Rockford	255,781	(242,970)
Pension liability and related deferrals	260,261	(2,356)
Other post-employment benefit liability	(6,658)	144,466
	<u>\$ (20,436,883)</u>	<u>\$ (19,420,517)</u>
Reconciliation of Cash and Cash Equivalents to		
Statements of Net Position Accounts		
Cash and investments	\$ 2,391,185	\$ 4,187,623
Cash and investments designated for OPEB	2,879,893	2,735,280
Cash and investments restricted for public liability, employee health insurance and workers compensation claims	<u>242,609</u>	<u>475,890</u>
	<u>\$ 5,513,687</u>	<u>\$ 7,398,793</u>

See notes to financial statements

FIDUCIARY FUND

Rockford Mass Transit District
(A Component Unit of the City of Rockford, Illinois)

Statements of Plan Net Position
June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Cash and cash equivalents	\$ 886,950	\$ 194,672
Investments at fair value:		
Traditional mutual funds	13,804,214	12,103,648
Bonds funds	10,219,146	10,345,118
Alternative mutual funds	1,365,030	1,379,352
Unconstrained	1,195,301	1,104,458
Contributions receivable	<u>825,000</u>	<u>800,000</u>
 Total assets	 <u>28,295,641</u>	 <u>25,927,248</u>
 Net position restricted for pensions	 <u>\$ 28,295,641</u>	 <u>\$ 25,927,248</u>

See notes to financial statements

Rockford Mass Transit District
(A Component Unit of the City of Rockford, Illinois)

Statements of Changes in Plan Net Position
June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Additions		
Employer contributions	\$ 1,650,000	\$ 1,600,000
Net additions	<u>1,650,000</u>	<u>1,600,000</u>
Investment income (loss):		
Capital appreciation (depreciation)	1,598,257	(4,380,039)
Dividend income	769,675	556,972
Less investment expense	<u>(84,880)</u>	<u>(98,146)</u>
Net investment income (loss)	<u>2,283,052</u>	<u>(3,921,213)</u>
Total additions	<u>3,933,052</u>	<u>(2,321,213)</u>
Deductions		
Benefit payments	1,530,902	1,389,090
Other plan expenses	<u>33,757</u>	<u>27,756</u>
Total deductions	<u>1,564,659</u>	<u>1,416,846</u>
Net increase in new position	2,368,393	(3,738,059)
Net Position, Beginning	<u>25,927,248</u>	<u>29,665,307</u>
Net Position, Ending	<u>\$ 28,295,641</u>	<u>\$ 25,927,248</u>

See notes to financial statements

**Rockford Mass Transit District
Enterprise and Fiduciary Funds
(A Component Unit of the City of Rockford, Illinois)**

Notes to Financial Statements
June 30, 2023 and 2022

1. Summary of Significant Accounting Policies

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

The significant accounting principles and policies utilized by the District are described below.

Reporting Entity

The District was established to provide for operation of a bus transit system, including paratransit services, in the City of Rockford, Illinois and surrounding areas. The District's Trustees are appointed by the City of Rockford. The District receives operating subsidies from the City of Rockford, the City of Loves Park, the Village of Machesney Park, the City of Belvidere, the Stateline Mass Transit District, Boone County, the State of Illinois and the Federal Government. The District is a component unit of the City of Rockford, as defined GASB Statement No. 61, and accordingly, the District's financial statements are also included in the basic financial statements of the City of Rockford. A fiduciary fund has been established for the employee pension trust.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

The financial statements of the fiduciary fund are prepared on the accrual basis of accounting. District contributions to the Plan are recognized when due and the District has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the Plan. The District's annual required contribution is determined based on an actuarial valuation.

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

In June 2017, the GASB issued Statement No. 87, *Leases*. This statement establishes criteria for identifying leases of all state and local governments for accounting and financial reporting purposes and how these activities should be reported. The District adopted this statement effective July 1, 2021. The District entered into their first lease agreement in June 2022.

**Rockford Mass Transit District
Enterprise and Fiduciary Funds
(A Component Unit of the City of Rockford, Illinois)**

Notes to Financial Statements
June 30, 2023 and 2022

Assets, Deferred Outflows of Resources, Liabilities and Net Position

Cash and Cash Equivalents

For purposes of reporting cash flows, the District considers all cash and short-term investments purchased with maturities of three months or less to be cash and cash equivalents. Cash and cash equivalents restricted for public liability, workmen's compensation and employee health insurance are funds that are restricted to pay for costs incurred in those areas.

Deposits and Investments

State statutes restrict investment of transit funds. Investments are limited to:

1. Time deposits in any bank, savings bank, trust company or savings and loan association which are insured.
2. Bonds or securities issued by the federal government.
3. Illinois State Treasurer's Investment Pool.
4. Money market mutual funds with portfolios of securities issued or guaranteed by the United States government.
5. Short-term commercial paper rated within the three highest classifications by at least two standard rating services.
6. Repurchase agreements with public depositories.

Pension funds may also invest in certain non-U.S. obligations, Illinois municipal corporation's tax anticipation warrants, veteran's loans, obligations of the State of Illinois and its political subdivisions and the Illinois insurance company general and separate accounts, mutual funds and equity securities.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income.

Cash and Investments Designated for OPEB

The board has segregated certain funds as designated for the future liquidation of the other post-employment benefits (OPEB) obligation.

Cash and Investments Restricted in Trusts

This represents assets restricted for public liability, employee health insurance and workers' compensation. Current liabilities payable from these restricted assets are so classified.

Accounts Receivable/Payable

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

**Rockford Mass Transit District
Enterprise and Fiduciary Funds
(A Component Unit of the City of Rockford, Illinois)**

Notes to Financial Statements
June 30, 2023 and 2022

Supplies Inventory

Operating inventories consisting of repair parts, motor oil and fuel are stated at cost (first in, first out) and average cost method.

Prepaid Expenses

This represents amounts paid for services or insurance coverage to be provided in future periods.

Capital Assets

Capital assets are defined as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year. Capital assets are stated at cost. Purchases of capital assets are primarily reimbursed by capital grants from federal, state and local sources. Donated assets are recorded at acquisition value on the date donated.

Proceeds from the sale of capital assets acquired under capital grants are remitted to the original funding source unless permission is received from the funding source to retain the proceeds.

Depreciation of buildings, improvements, equipment and vehicles is computed monthly upon capitalization using the straight-line method over the following estimated useful lives of the assets:

	<u>Years</u>
Building and improvements	20 - 40
Buses and service vehicles	10 - 12
Equipment and office furniture	5 - 10
Leased batteries	12

Deferred Outflows of Resources

A deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until that time. Pension deferred outflows relate to the net pension liability. Details of the account are included in Note 7.

Accrued Wages, Compensated Absences and Benefits

Certain District employees who have completed 2 years of service are eligible to accrue sick pay benefits at the rate of one (1) eight (8) hour day per calendar month in which the employee is not absent or off work for any reason (except vacation, holidays, personal days or bereavement). Upon eligible retirement or voluntary resignation from employment (excluding permanent disability, resignation due to worker's compensation injury and like reasons), the equivalent value of fifty percent (50%) of the employee's capped accumulated sick leave shall be paid to the employee.

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

The accrued payroll and benefits liability has been computed based on a rate of pay in effect at each fiscal year end, respectively.

**Rockford Mass Transit District
Enterprise and Fiduciary Funds
(A Component Unit of the City of Rockford, Illinois)**

Notes to Financial Statements
June 30, 2023 and 2022

Pension Liability

For the purposes of measuring the net pension liability, deferred outflows of resources and pension expense, information about the plan fiduciary net position of the Rockford Mass Transit District Retirement Plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms, investments are reported at fair value.

Unearned Revenue

The City of Rockford subsidizes the operating loss before depreciation of the District in excess of other subsidies received. The advance represents unearned revenue which is primarily due to the accumulation of the cash received from the City in excess of the amounts needed to subsidize operating losses.

Other Post-Employment Benefit Liability (OPEB)

The District provides post-employment health insurance benefits to all eligible employees. During fiscal year 2018, the District implemented GASB 75 related to OPEBs. For purposes of measuring the net OPEB liability and OPEB expense, the District's OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. See Note 9 for additional disclosures related to the OPEB under GASB 75.

Line of Credit

The District had a \$1,500,000 line of credit with Rockford Bank & Trust which expires April 24, 2026. Interest is payable monthly at the current prime rate. Borrowings in the form of notes payable are guaranteed by the revenues of the District. The balance due on the District's line of credit was \$0 as of June 30, 2023 and 2022.

Lease Liability

On June 27, 2022, the District entered into a lease for batteries to power their electric buses. Leases assets and the related liability will be amortized over the term of the lease. Details of the account are in Note 4.

Deferred Inflows of Resources

A deferred inflow of resources represents the creation of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. Pension deferred inflows relate to the net pension liability. Details of the account are in Note 7.

**Rockford Mass Transit District
Enterprise and Fiduciary Funds
(A Component Unit of the City of Rockford, Illinois)**

Notes to Financial Statements
June 30, 2023 and 2022

Net Position

Equity is classified as net position and is displayed in three components:

Net Investment in Capital Assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net invested in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Unrestricted Net Position - The component of net position consists of net position that do not meet the definition of *restricted* or *net investment in capital assets*.

When both restricted and unrestricted resources are available for use, it is the District's policy to use unrestricted resources first and then restricted resources as they are needed.

Revenues and Expenses

Revenue Recognition

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

Ridership Fares

Current fares were approved by the Board effective May 1, 2009.

Capital Contributions

The District has received Federal, State and Local funding for acquisition and construction of capital assets. The value of contributions received is reported as revenue on the statements of revenues, expenses and changes in net position.

The Federal and State grants are subject to grantor agency compliance audits. Management believes losses, if any, resulting from those compliance audits are not material to these statements.

Reclassifications

Certain reclassifications have been made to the prior year statements in order for them to be in conformity with the current year presentation.

**Rockford Mass Transit District
Enterprise and Fiduciary Funds
(A Component Unit of the City of Rockford, Illinois)**

Notes to Financial Statements
June 30, 2023 and 2022

Use of Estimates

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

Effect of New Accounting Standards on Current Period Financial Statements

GASB has approved Statement No. 100, *Accounting Changes and Error Corrections-an amendment for GASB Statement No. 62*, and Statement No. 101, *Compensated Absences*. When they become effective, application of these standards may restate portions of these financial statements.

2. Deposits and Investments

Carrying value as of June 30:

	<u>2023</u>	<u>2022</u>	<u>Risks</u>
Checking and savings (including pension)	\$ 418,729	\$ 664,232	Custodial credit Credit risk, interest rate risk
Pension trust funds	26,583,691	24,932,576	
Money market	5,981,908	6,929,233	Custodial credit
Total	<u>\$ 32,984,328</u>	<u>\$ 32,526,041</u>	

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the District's deposits may not be returned to the District. The District's investment policy requires that deposits with financial institutions in excess of FDIC to be collateralized with collateral in an amount of 100% of the uninsured deposits.

As of June 30, 2023 and 2022, none of the District's bank balances are known to be individually exposed to custodial credit risk.

Credit Risk

Credit risk is the risk an issuer or other counterparty to an investment will not fulfill its obligations.

**Rockford Mass Transit District
Enterprise and Fiduciary Funds
(A Component Unit of the City of Rockford, Illinois)**

Notes to Financial Statements
June 30, 2023 and 2022

As of June 30, 2023, the Plan's investments were rated as follows:

Investment Type	Morningstar
Traditional mutual funds	NR – 5
Bond funds	NR – 5
Alternative mutual funds	2 – 3
Unconstrained funds	3

As of June 30, 2022, the Plan's investments were rated as follows:

Investment Type	Morningstar
Traditional mutual funds	NR – 5
Bond funds	NR – 5
Alternative mutual funds	2 – 3
Unconstrained funds	3

Interest Rate Risk

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

As of June 30, 2023, the Plan's investments exposed to interest rate risk were as follows:

Investment Type	Fair Value	Investment Maturities in Years		
		Less than 1 Year	1 – 5 Years	Greater than 5 Years
Bond Funds	<u>\$10,219,146</u>	<u>\$ 10,219,146</u>	<u>\$ -</u>	<u>\$ -</u>

As of June 30, 2022, the Plan's investments exposed to interest rate risk were as follows:

Investment Type	Fair Value	Investment Maturities in Years		
		Less than 1 Year	1 – 5 Years	Greater than 5 Years
Bond Funds	<u>\$10,345,118</u>	<u>\$ 10,345,118</u>	<u>\$ -</u>	<u>\$ -</u>

Rate of Return

For the years ended June 30, 2023 and 2022, the annual money-weighted rate of return on pension plan investments, net of Pension Fund investment expense, was 4.6% and 5.00%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Rockford Mass Transit District
Enterprise and Fiduciary Funds
(A Component Unit of the City of Rockford, Illinois)**

Notes to Financial Statements
June 30, 2023 and 2022

Pension Investment Policy

The Plan's policy to focus its investments to achieve a preferred 55% equity investment, 35% high grade bonds, 5% money market and cash equivalents and 5% real estate investment mix of assets. The policy does not specifically address concentration of credit risk, credit risk or interest rate risk.

Pension Investment Direction

The Plan's investment policy and guidelines were established by and may be amended by the District's Board of Trustees. The District uses a third-party investment manager to manage investments in the Plan. The total return should meet the Plan's actuarial assumption of 6.5%. The Plan's investment policy does not establish long-term expected rates of return.

Fair Value Measurement

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

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

- Quoted market prices for all investments held

Investment Type	June 30, 2023			
	Level 1	Level 2	Level 3	Total
Traditional mutual funds	\$ 13,804,214	\$ -	\$ -	\$ 13,808,214
Bond funds	10,219,146	-	-	10,219,146
Alternative mutual funds	1,365,030	-	-	1,365,030
Unconstrained funds	1,195,301	-	-	1,195,301
Total	<u>\$ 26,583,691</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,583,691</u>

Investment Type	June 30, 2022			
	Level 1	Level 2	Level 3	Total
Traditional mutual funds	\$ 12,103,648	\$ -	\$ -	\$ 12,103,648
Bond funds	10,345,118	-	-	10,345,118
Alternative mutual funds	1,379,352	-	-	1,379,352
Unconstrained funds	1,104,458	-	-	1,104,458
Total	<u>\$ 24,932,576</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,932,576</u>

**Rockford Mass Transit District
Enterprise and Fiduciary Funds
(A Component Unit of the City of Rockford, Illinois)**

Notes to Financial Statements
June 30, 2023 and 2022

3. Changes in Capital Assets

A summary of changes in the District's capital assets for 2023 and 2022:

	Balance July 1, 2022	Additions	Retirements	Balance June 30, 2023
Capital assets, not being depreciated:				
Land	\$ 1,992,553	\$ -	\$ -	\$ 1,992,553
Total capital assets not being depreciated	1,992,553	-	-	1,992,553
Capital assets, being depreciated:				
Land improvements	924,521	817	-	925,338
Buildings	25,623,043	411,591	-	26,034,634
Buses and service vehicles	22,918,819	4,621,680	-	27,540,499
Battery lease	2,371,716	-	-	2,371,716
Equipment and office furniture	5,827,262	1,555,876	(10,151)	7,372,987
Total capital assets being depreciated	57,665,361	6,589,964	(10,151)	64,245,174
Total capital assets	59,657,914	6,589,964	(10,151)	66,237,727
Less accumulated depreciation	(24,534,521)	(2,355,831)	10,151	(26,880,201)
Total capital assets, net	\$ 35,123,393	\$ 4,234,133	\$ -	\$ 39,357,526
	Balance July 1, 2021	Additions	Retirements	Balance June 30, 2022
Capital assets, not being depreciated:				
Land	\$ 1,969,934	\$ 22,619	\$ -	\$ 1,992,553
Total capital assets not being depreciated	1,969,934	22,619	-	1,992,553
Capital assets, being depreciated:				
Land improvements	924,521	-	-	924,521
Buildings	25,224,051	398,992	-	25,623,043
Buses and service vehicles	20,658,659	3,919,925	(1,659,765)	22,918,819
Battery lease	-	2,371,716	-	2,371,716
Equipment and office furniture	4,313,077	1,685,446	(171,261)	5,827,262
Total capital assets being depreciated	51,120,308	8,376,079	(1,831,026)	57,665,361
Total capital assets	53,090,242	8,398,698	(1,831,026)	59,657,914
Less accumulated depreciation	(24,204,794)	(2,160,753)	1,831,026	(24,534,521)
Total capital assets, net	\$ 28,885,448	\$ 6,237,945	\$ -	\$ 35,123,393

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4. Leases

June 27, 2022, the District entered into an agreement of which they are the lessee to lease batteries for 12 years at a cost of \$248,897 annually, with no renewal periods. The discount rate used was 1.29%. An initial lease asset and liability equal to the present value of future lease payments of \$2,371,716 was recorded.

On June 30, 2022 the District recognized a right to use lease asset of \$2,371,716 and a lease liability of \$2,122,819, of which \$153,370 is current. As of June 30, 2023 the District has a remaining lease liability of \$1,969,449, of which \$160,271 is current.

Principal and interest payments on the loan are as follows:

	<u>Principal</u>	<u>Interest</u>
Fiscal years ending June 30,		
2024	\$ 160,271	\$ 88,625
2025	167,484	81,413
2026	175,020	73,876
2027	182,896	66,000
2028	191,127	57,770
2029 - 2033	<u>1,092,651</u>	<u>151,833</u>
Total	<u>\$ 1,969,449</u>	<u>\$ 519,517</u>

5. Operating Subsidies

The District is economically dependent upon operating subsidies and grants provided by Federal, State and Local governments. Without these subsidies and grants, operations could not continue at current levels unless alternative methods of funding were obtained. Operating subsidies and grants utilized to finance current operations are recorded when earned.

The following are the operating subsidies for fiscal 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Federal	\$ 3,338,624	\$ 3,169,241
State of Illinois	13,041,714	12,249,185
City of Rockford*	1,548,000	1,750,699
Stateline Mass Transit District	1,557,711	1,147,333
City of Loves Park	448,804	404,539
Village of Machesney Park	261,625	227,615
Boone County	227,882	161,352

* Includes current year receipts and recognition/deferral of unearned revenues as calculated.

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6. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; health care of its employees and natural disasters.

All risks with the exception of workers compensation, prior to October 1, 2015, health insurance and public liability related to scheduled vehicles are covered by commercial insurance. Settled claims have not exceeded commercial insurance in any past three fiscal years. The insurance coverage is consistent with the prior year.

As of October 1, 2015, the District is fully insured for workers compensation. Prior to October 1, 2015, the District was partially self-insured for workers compensation and maintained commercial insurance for claims in excess of the self-insured portion. For workers compensation claims prior to October 1, 2015, reserves are held in the District's restricted cash balance. This commercial insurance is limited to a \$1,000,000 annual aggregate liability by the insurance excess carrier over the self-insured portion. The commercial insurance carries a \$500,000 per accident deductible.

The District's employee health benefits program provides basic medical, vision, major medical and short-term disability weekly income benefits to eligible employees. Commercial insurance is not maintained on short-term disability or on the first \$75,000 per person, up to \$1,000,000 in annual aggregate medical claims. The District maintains commercial insurance that covers a layer of claims over the self-insured portion. This commercial insurance is limited to a \$1,000,000 annual aggregate liability by the insurance excess carrier over the self-insured portion of medical claims. The commercial insurance is also limited to a \$1,000,000 per person lifetime amount.

The public liability program provides for defense costs and claims administration through a combination of self-insurance and policies issued by licensed insurance carriers. Commercial insurance is not maintained for the first \$100,000 per occurrence and subject to a limit of \$50,000 in loss adjustment expenses per claim. The District does, however, maintain coverage for \$9,900,000 over the \$100,000 of self-insured public liability claims.

An analysis of the activity for workers compensation, employee health benefits and public liability self-insurance liabilities is presented as follows:

	Employee Benefit Fund	Public Liability Fund	Worker's Compensation Fund
Liability July 1, 2022	\$ 311,038	\$ 235,718	\$ 40,241
Add claims incurred and adjustments	3,459,751	2,286,296	2,185,124
Less claims paid	<u>(3,498,856)</u>	<u>(2,499,113)</u>	<u>(2,225,365)</u>
Liability June 30, 2023	<u>\$ 271,933</u>	<u>\$ 22,901</u>	<u>\$ -</u>
Liability July 1, 2021	\$ 361,943	\$ 350,458	\$ 45,823
Add claims incurred and adjustments	1,638,190	2,449,586	2,202,384
Less claims paid	<u>(1,689,095)</u>	<u>(2,564,326)</u>	<u>(2,207,966)</u>
Liability June 30, 2022	<u>\$ 311,038</u>	<u>\$ 235,718</u>	<u>\$ 40,241</u>

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Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs) and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example, from salvage or subrogation, are another component of the claims liability estimate.

The District is involved in several personal injury claim litigations. Management of the District responds by vigorous defense and believes any unfavorable outcome of the claims will be immaterial. The District attorney believes all of these cases will likely be covered for loss by insurance.

7. Defined Benefit Retirement Plan

Rockford Mass Transit District Employees' Retirement System

Plan Description, Amendments and Termination

The Rockford Mass Transit District Retirement Plan (the Plan) is a single employer, non-contributory, defined benefit plan. The District established the Plan to provide retirement benefits for eligible employees of the District. The Plan is governed by the Rockford Mass Transit District (the District) Board of Trustees together with the employees covered under collective bargaining agreements. The Plan consists of three employee representation units within the District. They include; International Brotherhood of Electrical Workers (IBEW), Amalgamated Transit Union (ATU) and the Administrative Employees (Admin). These plans are combined to represent the Plan which is discussed below. The Plan issues a stand-alone financial report which may be obtained by contacting the District. The most recent plan year ended is June 30, 2023.

The Board of Trustees reserves the right to amend the Plan at any time and for any reason. However, the Plan's assets may not be used for any purpose other than providing benefits to participants, former participants and their beneficiaries and paying the reasonable expenses of administering the Plan. Also, unless required by law, no amendment shall deprive any participant, former participant or beneficiary of any benefit already vested, or decrease any participant's accrued retirement benefit.

A participant's normal retirement pension payable monthly at his/her normal retirement age, shall be equal to 3% of the highest five consecutive year average monthly salary multiplied by years of participation.

The District has established the Plan with the bona fide intention and expectation that it will be continued indefinitely. However, the District shall not be under any obligation to continue its contributions to the Plan, or to otherwise maintain the Plan, for any given length of time. The Board of Trustees together with the employees covered under collective bargaining units, in its sole and absolute discretion, may discontinue the District's contributions to the Plan, or terminate the Plan, at any time and for any reason.

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If the Plan is terminated, all benefits accrued to the date of the Plan's termination become 100% vested and nonforfeitable. The Plan is not subject to Employee Retirement Income Security Act (ERISA) or insured by the Pension Benefit Guarantee Corporation (PBGC).

In the event of the termination of the Plan, the Trust shall be continued until all accrued retirement benefits have been paid in accordance with the provisions of the Plan. After all liabilities of the Plan to participants, former participants and their beneficiaries have been satisfied, any residual assets remaining in the Trust shall be returned to the District.

On April 26, 2017, the District's Board of Trustees approved a resolution to close the ATU and Admin employee representation units to new entrants effective November 1, 2016. No employees hired from November 1, 2016 until June 30, 2017 were eligible for participation in the plan.

On March 28, 2018, the District's Board of Trustees approved a resolution to close the IBEW employee representation unit to new entrants effective for employees hired on or after March 12, 2018.

Reporting Entity

The Plan is sponsored by the District. The Plan does not purport to, and does not present, the financial position or changes in financial position of the District as of any date or for any period.

Income Taxes

The Plan is organized as a tax-exempt retirement plan under the Internal Revenue Code.

Vesting

Under the provision of the Plan, pension benefits vest after five years of full-time employment and exclude employee disability. Upon retiring at the normal retirement age of sixty-five prescribed in the Plan, an employee is entitled to receive a monthly benefit payment in the form of a life annuity. Benefits under the Plan are accumulated during each year of service and determined based on compensation level. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Benefits Provided

Under the provision of the Plan, pension benefits vest after five years of full-time employment and exclude employee disability. Upon retiring at the normal retirement age of sixty-five prescribed in the Plan, an employee is entitled to receive a monthly benefit payment in the form of a life annuity. Benefits under the Plan are accumulated during each year of service and determined based on compensation level. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

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The following table presents information about Plan participants covered by the benefit terms. Participants providing the basis of the actuarial valuations used to calculate, as of the measurement dates, the net pension liability for the fiscal years ended June 30, 2023 and 2022.

	2023				2022			
	Admin	ATU	IBEW	Total	Admin	ATU	IBEW	Total
Active participants	20	48	14	82	20	56	16	92
Retired participants and beneficiaries	25	87	15	127	25	77	15	117
Terminated vested participants	13	27	9	49	13	30	7	50
Total plan participants	<u>58</u>	<u>162</u>	<u>38</u>	<u>258</u>	<u>58</u>	<u>163</u>	<u>38</u>	<u>259</u>

Participation for each employee representation is as follows:

IBEW and Administrative employees become eligible to participate on the January 1st or July 1st following a year of service where 1,000 hours has been worked. In addition to the requirements followed by IBEW and Administrative employees, ATU employees must also attain the age of 21 to become eligible. Eligible compensation excludes overtime pay, bonuses or other compensation.

Contributions and Funding Policy

The current policy of the District is to use each actuarial valuation as the basis for determining employer contributions to the Plan during the fiscal year beginning in the year of the valuation year. The July 1, 2023 valuation is the basis for contributions in fiscal 2023. The plan does not permit employees to make contributions.

Although it has not expressed any intention to do so, the District has the right under the Plan to discontinue its contributions at any time and to terminate the Plan.

The Plan's actuarial contribution rate is determined using the *entry age normal* actuarial cost method and the actuarial assumptions and methods are approved by the District.

Employer contributions to the Plan are recognized on the accrual basis and are actuarially determined each year. For Plan fiscal years 2023 and 2022, the required contributions were \$1,648,209 and \$1,040,498, respectively, or 33.88% and 32.08%, respectively, of the covered payroll per year. The District's actual Plan contributions for Plan fiscal years 2023 and 2022 were \$1,650,000 and \$1,600,000 respectively. The District's total payroll for the Plan fiscal years ended June 30, 2023 and 2022 was approximately \$4,869,996 and \$4,987,575, respectively.

At June 30, 2023 and 2022, the District reported a net pension liability of \$5,568,641 and \$6,492,978, respectively. The net pension liability was measured as of June 30, 2023 and 2022, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates.

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Administrative and other Plan Expense

The Plan's expenses are paid either by the Plan or the District, as provided by the Plan document. Expenses that are paid directly by the District are excluded from these financial statements. Certain expenses incurred in connection with the general administration of the Plan that are paid by the Plan are recorded as deductions in the accompanying statement of changes in net position available for benefits. In addition, certain investment related expenses are included in net appreciation of fair value of investments presented in the accompanying statement of changes in net position available for benefits.

For the years ended June 30, 2023 and 2022, the District recognized pension expense of \$1,950,311 and \$1,631,143, respectively. At June 30, 2023 and 2022, the District reported deferred outflows of resources related to pensions from the following sources:

	2023		2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,604,887	\$ 64,819	\$ 1,640,640	\$ 174,752
Net difference between projected and actual earnings on pension plan investments	628,898	-	1,887,676	-
Total	\$ 2,233,785	\$ 64,819	\$ 3,528,316	\$ 174,752

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

	Deferred Outflows of Resources
Years ended June 30:	
2024	833,689
2025	400,308
2026	1,072,252
2027	(137,283)
Thereafter	-
Total	\$ 2,168,966

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Actuarial Assumptions

The assumptions noted below were consistently applied in the June 30, 2023 and 2022 valuation, except as noted, if applicable.

The total pension liability was determined using the following actuarial assumptions, applied to periods included in the measurement:

- Inflation (effective June 30, 2014): 3% per annum.
- Salary Increase (effective June 30, 2014): 3% per year, compounded annually.
- Long-term investment rate of return: 6.5% for 2023 and 2022, compounded annually, net of investment expense, including inflation.
- The actuarial assumptions were based on the results of actuarial experience studies previously completed and are consistent with prior valuations.
- Mortality rates were based on the PubG-2010 Mortality Table for Males or Females, as appropriate, as of June 30, 2023 and 2022.
- 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 as of June 30, 2023 are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Equity investments:	50.2 %	-
Domestic stocks	-	7.9 – 8.1 %
International stocks	-	8.5
Fixed income investments:	49.8	-
Cash, CDs and money funds	-	2.4
Other fixed income investments	-	4.6 – 6.8
Total	100.0 %	

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The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2022 are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Equity investments:	48.2 %	-
Domestic stocks	-	5.2 – 6.2 %
International stocks	-	7.5
Fixed income investments:	51.8	-
Cash, CDs and money funds	-	1.1
Other fixed income investments	-	2.7 – 6.8
Total	100.0 %	

Discount Rate

The discount rate used to measure the net pension liability at June 30, 2023 and 2022 was 6.5%. 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 District 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 District's Net Pension Liability to Changes in the Discount Rate

The following presents the District's net pension liability calculated using the discount rate of 6.5%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.5%) or 1-percentage-point higher (7.5%) than the current rate.

Net Pension Liability	1% Decrease (5.5%)	Discount Rate (6.5%)	1% Increase (7.5%)
June 30, 2023	\$ 9,034,340	\$ 5,568,641	\$ 2,612,638
June 30, 2022	\$ 9,820,275	\$ 6,492,978	\$ 3,655,878

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The following tables present the changes in the Net Pension Liability reported as of June 30, 2023 and 2022 based on valuations as of June 30, 2023 and 2022:

	Total Pension Liability (a)	Plan Fiduciary Net Pension (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2022	\$ 32,420,226	\$ 25,927,248	\$ 6,492,978
Changes for the year:			
Service cost	609,454	-	609,454
Interest	2,056,462	-	2,056,462
Differences between expected and actual experience	342,799	-	342,799
Employer contributions	-	825,000	(825,000)
Capital appreciation	-	1,598,257	(1,598,257)
Net investment income	-	769,675	(769,675)
Benefit payments	(1,564,659)	(1,564,659)	-
Administrative expenses	-	(84,880)	84,880
Receivables	-	825,000	(825,000)
Net changes	1,444,056	2,368,393	(924,337)
Balance at June 30, 2023	\$ 33,864,282	\$ 28,295,641	\$ 5,568,641
	Total Pension Liability (a)	Plan Fiduciary Net Pension (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2021	\$ 31,227,186	\$ 29,665,307	\$ 1,561,879
Changes for the year:			
Service cost	649,006	-	649,006
Interest	1,983,720	-	1,983,720
Differences between expected and actual experience	(22,840)	-	(22,840)
Employer contributions	-	800,000	(800,000)
Capital appreciation	-	(4,380,039)	4,380,039
Net investment income	-	556,972	(556,972)
Benefit payments	(1,416,846)	(1,416,846)	-
Administrative expenses	-	(98,146)	98,146
Receivables	-	800,000	(800,000)
Net changes	1,193,040	(3,738,059)	(4,931,099)
Balance at June 30, 2022	\$ 32,420,226	\$ 25,927,248	\$ 6,492,978

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Actuarial Present Value of Accumulated Plan Benefits

Accumulated Plan benefits are those future periodic payments, including lump sum distributions that are attributable under the Plan's provisions to the service employees have rendered to the valuation date. Accumulated Plan benefits include benefits expected to be paid to (a) retired or terminated employees or their beneficiaries, (b) beneficiaries of employees who have died and (c) present employees or their beneficiaries. Benefits under the Plan are accumulated based on employees' compensation during each year of credited service. The accumulated Plan benefits for active employees will equal the accumulation, with interest, of the annual benefit accruals as of the benefit information date. Benefits payable under all circumstances (retirement, death, disability and termination of employment) are included to the extent they are deemed attributable to employee service rendered to the valuation date.

The actuarial present value of accumulated plan benefits is determined by an actuary from Schwab Actuarial Services and is the amount that results from applying actuarial assumptions to adjust the accumulated Plan benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, disability, withdrawal or retirement) between the valuation date and the expected date of payment. The significant actuarial assumptions are detailed above.

The foregoing actuarial assumptions are based on the presumption that the Plan will continue. Were the Plan to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated plan benefits.

Plan Investment Valuation and Income Recognition

The Plan's investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Net appreciation or depreciation of investments included in the accompanying statement of changes in net position available for benefits includes realized gains or losses from the sale of investments and unrealized appreciation or depreciation in fair value of investments. Net unrealized appreciation or depreciation in the fair value of investments represents the net change in the fair value of the investments held during the period. The net realized gains or losses on the sale of investments represents the difference between the sale proceeds and the fair value of the investment as of the beginning of the period or the cost of the investment if purchased during the year.

The table below presents gross capital appreciation activity for the years ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Unrealized gain (loss)	\$ 1,034,826	\$ (5,700,090)
Realized gain (loss)	563,431	1,320,051
Net capital appreciation (depreciation)	<u>\$ 1,598,257</u>	<u>\$ (4,380,039)</u>

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Plan Fiduciary Net Position

For purposes of measuring the net pension liability, deferred outflows of resources related to pensions, pension expense, information about the fiduciary net position for the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. Investments are stated at fair market value. Benefit Payments are recognized when due and payable in accordance with the terms of the plan.

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of net position available for benefits.

Plan contributions are made and the actuarial present value of accumulated Plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

8. Defined Contribution Plan and Voluntary Supplemental Retirement

Defined Contribution Retirement

All eligible employees hired after November 1, 2016, are entered into the defined contribution plan created in accordance with Internal Revenue Code (IRC) Section 457 and administered by the District. Employee and employer contributions are deposited into the employee's individual account and invested under their direction. Participants of the plan can make payments into the plan as desired. The District contributes 50% of the employee's contribution up to 3% of their eligible wages of the participant's wages starting November 2016. The District made no contributions to the plan in 2023 or 2022 as no employees currently participate in the plan.

Voluntary Supplemental Retirement

In addition, the District offers its employees a deferred compensation plan which was created in accordance with IRC Section 457. The Plan, available to all District employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until retirement, death or unforeseeable emergency. The plan is fully vested as the deferred compensation is deemed earned by the employees.

The Plan assets are held in a trust for the exclusive benefit of the plan participants. Since the District does not act as trustee nor does it have fiduciary accountability for the plan assets, the plan assets are not included in these financial statements.

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9. Other Post-Employment Benefit Plan

General Information About the OPEB Plan

Plan Description

The District administers a single-employer defined benefit healthcare plan (the Retiree Health Plan). The plan provides health insurance contributions for eligible retirees and their spouse through the District's group health insurance plan, which covers both active and retired members. Benefit provisions are established through collective bargaining agreements and state that select eligible retirees (hired before 1993) and their spouses receive lifetime healthcare insurance at established contribution rates. Contribution requirements are established through collective bargaining agreements and may be amended only through negotiations between the District and the bargaining unit. The plan is closed to new entrants. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Benefits Provided

The District provides healthcare insurance benefits for select eligible retirees and their spouse. The benefit terms provide for coverage for the retiree and their spouse until the retiree's death. The District makes the same monthly health insurance contribution on behalf of select retirees as it makes on behalf of all other active employees during the year. The District contributes 100% of the current year premiums for a family and a single plan, respectively, for select eligible retired plan members and their spouses.

Employees Covered by Benefit Terms

At June 30, 2023 and 2022, the following employees were covered by the benefit terms:

	<u>2023</u>	<u>2022</u>
Active employees fully eligible to receive plan benefits	1	1
Active employees not fully eligible	1	1
Retired plan members	<u>22</u>	<u>23</u>
Total plan members	<u>24</u>	<u>25</u>

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Total OPEB Liability

The District's total OPEB liability of \$2,871,504 and \$2,878,162 were measured as of June 30, 2023 and 2022, respectively, and were determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2023 and 2022 actuarial valuations were determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Salary increases	3.0%, average
Healthcare cost trend rates	6.5% for 2018, decreasing 0.5% per year to an ultimate rate of 5.0% for 2021 and later years. 5.5% for 2020 decreasing to 5.0%.
Retirees' share of benefit-related costs	All retirees must contribute their share of the monthly premium equal to that required stated in the applicable bargaining unit contract

The discount rate was based on S&P Municipal Bond 20 Year High Grade Rate Index.

Mortality rates were based on the PubG-2010 tables as of June 30, 2023 and 2022.

The actuarial assumptions used in the June 30, 2023 and 2022 valuations were based on anticipated future experience under the plan, including consideration for the current demographics of the covered population where applicable, or anticipated future experience under the Retirement Plan sponsored by the District.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balances at June 30, 2022	<u>\$ 2,878,162</u>
Changes for the year:	
Service cost	315
Interest	116,742
Difference between expected and actual	64,783
Changes in assumptions or other inputs	(10,591)
Benefit payments	<u>(177,907)</u>
Net changes	<u>(6,658)</u>
Balances at June 30, 2023	<u><u>\$ 2,871,504</u></u>

**Rockford Mass Transit District
Enterprise and Fiduciary Funds
(A Component Unit of the City of Rockford, Illinois)**

Notes to Financial Statements
June 30, 2023 and 2022

	<u>Total OPEB Liability</u>
Balances at June 30, 2021	\$ 2,733,696
Changes for the year:	
Service cost	2,758
Interest	71,885
Difference between expected and actual	645,584
Changes in assumptions or other inputs	(406,484)
Benefit payments	<u>(169,277)</u>
Net changes	<u>144,466</u>
Balances at June 30, 2022	<u>\$ 2,878,162</u>

The Coyle Kiley Insurance Agency provided monthly fixed costs of stop loss coverage. The July 1, 2023 monthly renewal costs are \$158.94 for single coverage and \$365.44 for family coverage.

The Professional Benefit Administrators provided claim reports for the most recent 4 years. The reports itemize the total medical charges offset by network discount, Medicare payments, retiree deductible, COB savings and retiree coinsurance. The average monthly net costs incurred by RMTD over the last 4 years are \$1,152.59 per retiree, \$627.23 per spouse and \$3,127.35 per dependent.

For comparison purposes, the 2023/2022 Fiscal Year monthly medical premiums for active employees are \$769.14 and \$1,499.81 for single and family coverage, respectively.

Changes of assumptions and other inputs reflect a change in the discount rate from 4.09% in 2022 to 4.13% in 2023.

2023 Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.13%) or 1-percentage-point higher (5.13%) than the current discount rate:

	<u>1% Decrease (3.13%)</u>	<u>Discount Rate (4.13%)</u>	<u>1% Increase (5.13%)</u>
Total OPEB liability	\$ 3,157,402	\$ 2,871,504	\$ 2,626,828

2022 Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.09%) or 1-percentage-point higher (5.09%) than the current discount rate:

	<u>1% Decrease (3.09%)</u>	<u>Discount Rate (4.09%)</u>	<u>1% Increase (5.09%)</u>
Total OPEB liability	\$ 3,177,073	\$ 2,878,162	\$ 2,623,539

**Rockford Mass Transit District
Enterprise and Fiduciary Funds
(A Component Unit of the City of Rockford, Illinois)**

Notes to Financial Statements
June 30, 2023 and 2022

2023 Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (4.0%) or 1-percentage-point higher (6.0%) than the current healthcare cost trend rates:

	1% Decrease (4.0%)	Healthcare Cost Trend Rates (5.0%)	1% Increase (6.0%)
Total OPEB liability	\$ 2,571,290	\$ 2,871,504	\$ 3,220,374

2022 Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (4.0%) or 1-percentage-point higher (6.0%) than the current healthcare cost trend rates:

	1% Decrease (4.0%)	Healthcare Cost Trend Rates (5.0%)	1% Increase (6.0%)
Total OPEB liability	\$ 2,568,246	\$ 2,878,162	\$ 3,239,914

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2023 and 2022, the District recognized OPEB expenses of \$(6,658) and \$144,466, respectively. At June 30, 2023 and 2022, the District did not report deferred outflows of resources and deferred inflows of resources.

10. Related Parties

The District is a component unit of the City of Rockford, Illinois and, as a consequence, received yearly subsidies of \$1,548,000 and \$1,750,700 for years ended June 30, 2023 and 2022, respectively. Subsidies received in excess of the amounts expended relative to the City of Rockford agreement are reflected as advances from the City of Rockford.

11. Commitment and Contingencies

The District has signed equipment purchase contracts for approximately \$7,121,136 including eight buses.

12. Subsequent Events

The utility evaluated subsequent events through December 27, 2023, the date that the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

Rockford Mass Transit District
(A Component Unit of the City of Rockford, Illinois)

Defined Benefit Pension Plan - Schedule of the Changes in the Employer's Net Pension Liability and Related Ratios
Plan Years Ended June 30

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability										
Service cost	\$ 609,454	\$ 649,006	\$ 699,167	\$ 679,319	\$ 656,666	\$ 754,673	\$ 787,653	\$ 787,517	\$ 714,070	\$ 683,501
Interest on the total pension liability	2,056,462	1,983,720	1,876,435	1,877,105	1,858,352	1,707,751	1,581,675	1,473,546	1,355,470	1,227,471
Changes of benefit terms	-	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience of the total pension liability	342,799	(22,839)	443,651	1,084,228	(650,497)	(507,972)	306,477	(13,037)	269,658	540,902
Changes of assumptions	-	-	-	-	-	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(1,564,659)	(1,416,847)	(1,320,598)	(1,160,007)	(923,202)	(794,893)	(779,427)	(635,758)	(618,141)	(530,754)
Net change in total pension liability	1,444,056	1,193,040	1,698,655	2,480,645	941,319	1,159,559	1,896,378	1,612,268	1,721,057	1,921,120
Total Pension Liability, Beginning	32,420,226	31,227,186	29,528,531	27,047,886	26,106,567	24,947,008	23,050,630	21,438,362	19,717,305	17,796,185
Total Pension Liability, Ending (A)	33,864,282	32,420,226	31,227,186	29,528,531	27,047,886	26,106,567	24,947,008	23,050,630	21,438,362	19,717,305
Plan Fiduciary Net Position										
Contributions, employer	825,000	800,000	1,224,500	1,500,902	1,501,852	1,404,554	1,404,877	1,606,608	1,500,609	1,200,000
Capital appreciation	1,598,257	(4,380,038)	5,040,996	(206,816)	789,778	896,820	1,420,686	(483,836)	9,223	1,581,196
Net investment income	769,675	556,972	397,646	517,215	501,103	262,538	328,264	316,672	278,042	227,764
Benefit payments, including refunds of employee contributions	(1,564,659)	(1,416,847)	(1,320,598)	(1,160,007)	(923,202)	(794,893)	(779,427)	(635,758)	(618,141)	(530,754)
Other (net transfer)	(84,880)	(98,146)	(94,364)	(85,585)	(90,022)	(89,620)	(76,982)	(69,622)	(67,336)	(59,467)
Receivables	825,000	800,000	1,224,500	-	-	-	-	-	-	-
Net change in plan fiduciary net position	2,368,393	(3,738,059)	6,472,680	565,709	1,779,509	1,679,399	2,297,418	734,064	1,102,397	2,418,739
Plan Fiduciary Net Position, Beginning	25,927,248	29,665,307	23,192,627	22,626,918	20,847,409	19,168,010	16,870,592	16,136,528	15,034,131	12,615,392
Plan Fiduciary Net Position, Ending (B)	28,295,641	25,927,248	29,665,307	23,192,627	22,626,918	20,847,409	19,168,010	16,870,592	16,136,528	15,034,131
Net Pension Liability, Ending (A) - (B)	\$ 5,568,641	\$ 6,492,978	\$ 1,561,879	\$ 6,335,904	\$ 4,420,968	\$ 5,259,158	\$ 5,778,998	\$ 6,180,038	\$ 5,301,834	\$ 4,683,174
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.56%	79.97%	95.00%	78.54%	83.66%	79.86%	76.83%	73.19%	75.27%	76.25%
Covered Payroll	\$ 4,869,996	\$ 4,987,575	\$ 5,401,972	\$ 5,305,831	\$ 5,601,473	\$ 5,940,051	\$ 6,058,636	\$ 5,937,417	\$ 6,026,395	\$ 5,792,859
Net Pension Liability as a Percentage of Covered Payroll	114.35%	130.18%	28.91%	119.41%	78.93%	88.54%	95.38%	104.09%	87.98%	80.84%

See notes to required supplementary information

**Rockford Mass Transit District
(A Component Unit of the City of Rockford, Illinois)**

Defined Benefit Pension Plan - Schedule of Employer Contributions and
Notes to Required Supplementary Information
Fiscal Years Ended June 30

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contributions	\$ 1,648,209	\$ 1,040,498	\$ 1,665,954	\$ 1,655,954	\$ 1,411,523	\$ 1,358,384	\$ 1,307,119	\$ 1,323,509	\$ 1,234,978	\$ 1,107,998
Contributions in relation to the actuarially determined contribution	1,650,000	1,600,000	2,449,000	2,450,000	1,500,000	1,501,852	1,404,554	1,404,877	1,606,608	1,500,609
Contribution deficiency (excess)	\$ (1,791)	\$ (559,502)	\$ (783,046)	\$ (794,046)	\$ (88,477)	\$ (143,468)	\$ (97,435)	\$ (81,368)	\$ (371,630)	\$ (392,611)
Covered payroll	\$ 4,869,996	\$ 4,987,575	\$ 5,401,972	\$ 5,305,831	\$ 5,601,473	\$ 5,940,051	\$ 6,058,636	\$ 5,937,417	\$ 6,026,395	\$ 5,474,705
Contributions as a percentage of covered-employee payroll	33.88%	32.08%	45.34%	46.18%	26.78%	25.28%	23.18%	23.66%	26.66%	27.41%

Notes to Schedule:

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

	2023 - 2020	2019	2018 - 2014
Methods and assumptions used to determine contribution rates:			
Actuarial cost method	Entry age normal method	Entry age normal method	Entry age normal method
Amortization method	Average remaining years of employment of all participants (actively employed and inactive members)	Average remaining years of employment of all participants (actively employed and inactive members)	Average remaining years of employment of all participants (actively employed and inactive members)
Asset valuation method	Market value	Market value	Market value
Investment rate of return	6.5%	7.0%	7.0%
Salary increases	3.0% per year, compounded annually	3.0% per year, compounded annually	3.0% per year, compounded annually
Mortality	PubG-2010 Public Retirement Plans Mortality Tables	PubG-2010 Public Retirement Plans Mortality Tables	RP - 2000 projected to the valuation date for males and females

See notes to required supplementary information

Rockford Mass Transit District
(A Component Unit of the City of Rockford, Illinois)

Defined Benefit Pension Plan - Schedule of Investment Returns
Most Fiscal Years

2023 Annual money-weighted rate of return, net of investment expense	8.36%
2022 Annual money-weighted rate of return, net of investment expense	-12.77%
2021 Annual money-weighted rate of return, net of investment expense	27.54%
2020 Annual money-weighted rate of return, net of investment expense	-0.17%
2019 Annual money-weighted rate of return, net of investment expense	5.07%
2018 Annual money-weighted rate of return, net of investment expense	1.90%
2017 Annual money-weighted rate of return, net of investment expense	12.91%
2016 Annual money-weighted rate of return, net of investment expense	-4.40%
2015 Annual money-weighted rate of return, net of investment expense	0.40%
2014 Annual money-weighted rate of return, net of investment expense	17.87%

See notes to required supplementary information

Rockford Mass Transit District
(A Component Unit of the City of Rockford, Illinois)

Other Post-Employment Benefits Plan - Schedule of Changes in Net OPEB Liability and Related Ratios
Fiscal Years Ended June 30

	2023	2022	2021	2020	2019	2018
Total OPEB Liability						
Service cost	\$ 315	\$ 2,758	\$ 1,770	\$ 16,040	\$ 46,052	\$ 55,880
Interest	116,742	71,885	69,805	293,503	312,116	320,293
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	64,783	645,584	35,241	(291,052)	(189,842)	-
Changes of assumptions	(10,591)	(406,484)	208,564	152,512	258,807	206,841
Benefit payments	(177,907)	(169,277)	(141,551)	(347,590)	(351,812)	(313,342)
Net change in total OPEB liability	(6,658)	144,466	173,829	(176,587)	75,321	269,672
Total OPEB Liability, Beginning	2,878,162	2,733,696	2,559,867	10,677,590	10,602,269	10,332,597
Updated Cost Basis	-	-	-	(7,941,136)	-	-
Total OPEB Liability, Ending	<u>\$ 2,871,504</u>	<u>\$ 2,878,162</u>	<u>\$ 2,733,696</u>	<u>\$ 2,559,867</u>	<u>\$ 10,677,590</u>	<u>\$ 10,602,269</u>
Covered-Employee Payroll	\$ 163,033	\$ 208,382	\$ 260,376	\$ 358,720	\$ 460,743	\$ 639,990
Total OPEB Liability as a Percentage of Covered-Employee Payroll	1761.30%	1381.20%	1049.90%	713.61%	2317.47%	1656.63%

Notes to Schedule:

Benefit changes. There were no changes in benefit terms.

Changes of assumptions. Discount rate changed from 4.09% in 2022 to 4.13% in 2023.

Mortality rate table changed from RP-2000 to PubG-2010.

The reduction in liability related to updated costs acquired from RMTD's TPAs is (\$7.9M). The liability reduction is due to a lower cost of the post-employment medical benefits (OPEB) incurred by RMTD relative to the premium costs for the medical benefits offered to active employees. The 2018/2019 and 2017/2018 Fiscal Year valuations performed by the prior actuaries utilized estimated annual costs based on the premiums applicable to the medical plan offered to active employees. The administration and cost structure related to the OPEB is fundamentally different than the medical plan offered to active employees. The OPEB costs incurred by RMTD are monthly stop loss fees and claims incurred.

The Coyle Kiley Insurance Agency provided monthly fixed costs of stop loss coverage. The July 1, 2019 monthly renewal costs are \$140.44 for single coverage and \$293.23 for family coverage. The Professional Benefit Administrators provided claim reports for the most recent 4 years. The reports itemize the total medical charges offset by network discount, Medicare payments, retiree deductible, COB savings, and retiree coinsurance. The average monthly net costs incurred by RMTD over the last 4 years are \$173.29 per retiree, \$179.97 per spouse, and \$35.94 per child.

For comparison purposes, the 2019/2020 Fiscal Year monthly medical premiums for active employees are \$732.51 and \$1,428.39 for single and family coverage, respectively.

The District implemented GASB Statement No. 75 in fiscal year 2018. Information prior to fiscal year 2018 is not available.

Note: This schedule is to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

**Rockford Mass Transit District
(A Component Unit of the City of Rockford, Illinois)**

Other Post-Employment Benefits Plan - Schedule of Contributions and
Notes to Required Supplementary Information
Fiscal Years Ended June 30

	2023	2022	2021	2020	2019	2018
Contractually determined contribution	\$ 177,907	\$ 169,277	\$ 141,551	\$ 129,154	\$ 351,812	\$ 313,342
Contributions in relation to the contractually determined contribution	177,907	169,277	141,551	129,154	351,812	313,342
Contribution deficiency (excess)	-	-	-	-	-	-
Covered-employee payroll	<u>\$ 163,033</u>	<u>\$ 208,382</u>	<u>\$ 260,376</u>	<u>\$ 358,720</u>	<u>\$ 460,743</u>	<u>\$ 639,990</u>
Contributions as a percentage of covered-employee payroll	109.12%	81.23%	54.36%	36.00%	76.36%	48.96%

Notes to Schedule

Valuation date:

Actuarially determined contribution rates are calculated as of June 30 of the current fiscal year.

	2020 - 2023	2018 - 2019
Methods and assumptions used:		
Actuarial cost method	Entry age normal cost method	Entry age normal cost method
Healthcare cost trend rates	6.0 percent initial, decreasing to an ultimate rate of 5.0 percent	6.0 percent initial, decreasing to an ultimate rate of 5.0 percent
Salary increases	3.0 percent, average, including inflation	3.0 percent, average, including inflation
Retirement age	100% of participants are assumed to retire at age 65	100% of participants are assumed to retire at age 65
Mortality	PubG-2010 projected to the valuation date for males and females	RP - 2000 projected to the valuation date for males and females

Other information:

The District implemented GASB Statement No. 75 in fiscal year 2018. Information prior to fiscal year 2018 is not available.

Note: This schedule is to show information for 10 years.

However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

SUPPLEMENTARY INFORMATION

Rockford Mass Transit District
(A Component Unit of the City of Rockford, Illinois)

Operating Expenses, Excluding Depreciation
Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Transportation		
Salaries and wages	\$ 5,465,276	\$ 5,454,467
Fringe benefits, including payroll taxes	5,047,781	4,983,281
Fuel and lubricants	1,355,004	1,029,503
Tires and tubes	91,006	71,567
Materials and supplies	67,669	257,265
Insurance	75,000	50,000
Security	415,931	287,632
Taxes and other miscellaneous	4,915	5,397
	<u>12,522,582</u>	<u>12,139,112</u>
Maintenance		
Salaries and wages	1,466,427	1,275,561
Fringe benefits, including payroll taxes	1,160,097	865,538
Contract maintenance services	435,648	197,728
Insurance	349,265	309,856
Materials and supplies	376,171	257,873
Bus parts	599,755	575,357
Other miscellaneous	-	16,509
	<u>4,387,363</u>	<u>3,498,422</u>
General Administration		
Salaries and wages	872,502	974,179
Fringe benefits, including payroll taxes	1,378,723	1,386,323
Advertising	157,954	292,612
Professional and management fees	535,310	327,452
Contract maintenance services	66,375	64,509
Custodial services	124,630	121,466
Materials and supplies	53,020	65,522
Utilities	372,421	296,243
Insurance	642,068	534,169
Dues and subscriptions	67,542	32,039
Travel and meeting	53,906	33,103
Lease and rentals	150	-
Rail/transportation	564,822	393,291
Other (including alternative analysis)	154,186	119,439
Self-insurance trust activity	(972,309)	(292,014)
	<u>4,071,300</u>	<u>4,348,333</u>
Total general administration expense	<u>4,071,300</u>	<u>4,348,333</u>
Total operating expenses, excluding depreciation	20,981,245	19,985,867
Actual Pension Contributions in Excess (Deficient)		
of GASB 68 Pension Expense	<u>21,739</u>	<u>(31,143)</u>
Total operating expenses for schedule of operating subsidy	<u>\$ 21,002,984</u>	<u>\$ 19,954,724</u>

ILLINOIS DEPARTMENT OF TRANSPORTATION

**Report on Compliance
With Laws and Regulations Applicable to the
Financial Assistance Received From the
Illinois Department of Transportation**

Independent Auditors' Report

To the Board of Trustees of
Rockford Mass Transit District

Report on Compliance

Opinion on Compliance

We have audited the Rockford Mass Transit District's (District) compliance with the applicable provisions of the Downstate Public Transportation Act (as amended) 30 ILCS 740/2, the Civil Administrative Code of Illinois, 20 ILCS 2705/49.19 and the rules and regulations of the Illinois Department of Transportation that are applicable to the financial assistance for the year ended June 30, 2023. The District's state financial assistance is identified in the Schedule of Operating Subsidy under Downstate Operating Assistance Grant. We also tested the calculation of the State's participation in the District's operating deficit and that State assistance claimed and paid are recorded and reported in accordance with the contract with the State of Illinois.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to state financial assistance received for the year ended June 30, 2023.

Basis for Opinion on Compliance

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); the provisions of the "Downstate Operating Assistance Grant Program Agreement" with the Department of Transportation, State of Illinois (Act). Our responsibilities under those standards and provisions are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation and maintenance of effective internal control over compliance with the laws and regulations applicable to the financial assistance received from the Illinois Department of Transportation.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Act will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Act, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the District's internal control over compliance relevant to the audit 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 District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Purpose of This Report

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

Baker Tilly US, LLP

Madison, Wisconsin
December 27, 2023

Rockford Mass Transit District
(A Component Unit of the City of Rockford, Illinois)

Schedule of Operating Subsidy
Under Downstate Operating Assistance Grant
Year Ended June 30, 2023

Operating Revenues and Income

401	Passenger fares for transit services	\$	1,086,613
406	Auxiliary revenue		73,536
407	Non-transportation revenue		89,262
414	Federal funds applied to operating expense		<u>3,338,624</u>
	Total operating revenues and income	\$	<u>4,588,035</u>

Operating Expenses

501	Labor	\$	7,804,205
502	Fringe benefits ***		7,326,340
503	Professional services		1,704,407
504	Material and supplies consumed		2,593,092
505	Utilities		372,421
506	Casualty and liability		1,034,301
507	Taxes		4,915
508	Net purchased transportation		564,822
509	Miscellaneous expense		283,611
512	Leases, rentals and purchase-lease payments		150
	Self-insurance trust activity		<u>(972,309)</u>
	Total operating expenses	\$	<u>20,715,955</u>

Less ineligible expenses:

APTA and IPTA dues	\$	4,900
Single Audit		3,000
Self-insurance trust activity		(972,309)
Stateline Mass Transit District settlement		1,532,373
COVID unearned		-
Lobbying and other costs		<u>83,816</u>

Total eligible operating expenses 20,064,175

Total operating revenue and income 4,588,035

Deficit \$ 15,476,140

Percentage of eligible expense* \$ 13,041,713

Maximum contract amount \$ 13,978,982

Eligible downstate operating assistance (Deficit, percentage of eligible expense*, or maximum contract amount, whichever is less) \$ 13,041,713

Downstate operating assistance received 10,989,013

Downstate operating assistance receivable (overpayment) \$ 2,052,700

Downstate operating assistance overpayment received ** \$ (376,265)

* For fiscal 2021 65%.

** The Downstate Operating Assistance reported as overpaid relates to 2010 - 2022 net overpayments.

*** Within 502 - fringe benefits management has included \$1,600,000 of actual pension contributions in place of GASB 68 expense.

REPORT ON FEDERAL AWARDS

**Report on Internal Control
Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of
Financial Statements Performed in Accordance
With *Government Auditing Standards***

Independent Auditors' Report

To the Board of Trustees of
Rockford Mass Transit District

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 (*Government Auditing Standards*), the financial statements of the Rockford Mass Transit District (the District), which comprise the District's statement of financial position as of June 30, 2023, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 27, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001, that we consider to be a material weakness.

Report on Compliance and Other Matters

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

The District's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Baker Tilly US, LLP

Madison, Wisconsin
December 27, 2023

**Report on Compliance
for the Major Federal Program;
Report on Internal Control Over Compliance; and
Report on the Schedule of Expenditures of
Federal Awards Required by the Uniform Guidance**

Independent Auditors' Report

To the Board of Trustees of
Rockford Mass Transit District

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited the Rockford Mass Transit District's (the District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2023. The District's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2023.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the District as of and for the year ended June 30, 2023, and have issued our report thereon dated December 27, 2023, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Baker Tilly US, LLP

Madison, Wisconsin
December 27, 2023

Rockford Mass Transit District
(A Component Unit of the City of Rockford, Illinois)

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Federal Agency/ Program or Cluster Title	Pass- Through Agency	Federal Assistance Listing Number	Local Agency Contract Number	Federal Expenditures
U.S. Department of Transportation				
Federal Transit Cluster				
Bus and Bus Facilities Formula & Discretionary Programs	N/A	20.526	IL-34-0033	\$ 391,875
Federal Transit Formula Grants	N/A	20.507	IL-90-X782	2,464,159
CARES COVID-19 Federal Transit Formula Grants	N/A	20.507	IL-90-X827	874,855
ARPA COVID-19 Federal Transit Formula Grants	N/A	20.507	IL-90-X845	<u>3,338,624</u>
Total Federal Transit Formula Grants				<u>7,069,513</u>
Total Federal Transit Cluster				<u>7,069,513</u>
Total expenditures of federal awards				<u>\$ 7,069,513</u>

See notes to schedule of expenditures of federal awards

**Rockford Mass Transit District
Enterprise and Fiduciary Funds
(A Component Unit of the City of Rockford, Illinois)**

Notes to Expenditures of Federal Awards
Year Ended June 30, 2023

1. Reporting Entity

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

2. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Rockford Mass Transit District under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Rockford Mass Transit District, it is not intended to and does not present the financial position, changes in net position or cash flows of the Rockford Mass Transit District.

The accounting records of the District's grant programs are maintained on the accrual basis of accounting. Expenditures are recorded when the liability is incurred and revenues are recorded as earned. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

3. Description of the Major Program

There was one major program for the year ended June 30, 2023 which included the Federal Transit Cluster. The Federal Transit Cluster includes the Federal Transit Formula Grants (CFDA #20.507) and Bus and Bus Facilities Formula & Discretionary Programs (CFDA #20.526), awarded by the Federal Transit Administration – U.S. Department of Transportation to the Rockford Mass Transit District for the purpose of financing capital projects and supporting public transportation services in urbanized areas.

**Rockford Mass Transit District
Enterprise and Fiduciary Funds
(A Component Unit of the City of Rockford, Illinois)**

Notes to Expenditures of Federal Awards
Year Ended June 30, 2023

4. Relationship to Basic Financial Statements

Federal financial capital and operating assistance is reported in the Rockford Mass Transit District's basic financial statements as follows:

Federal Operating Subsidy	\$ 3,338,624
Federal Capital Contributions	<u>3,730,889</u>
Total Federal Schedule of Expenditures of Federal Awards	<u>\$ 7,069,513</u>
Federal Capital Grant Contributions	\$ 3,730,889
State and Local Capital Grant Contributions	<u>2,859,075</u>
Total Capital Contributions per the Basic Financial Statements	<u>\$ 6,589,964</u>

5. Indirect Cost Rate

Rockford Mass Transit District has elected not to use the 10% de minimis cost rate.

**Rockford Mass Transit District
Enterprise and Fiduciary Funds
(A Component Unit of the City of Rockford, Illinois)**

Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

Section I - Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited are prepared in accordance with GAAP:	Unmodified		
Internal control over financial reporting:			
Material weakness(es) identified?	<u> X </u> yes	<u> </u> No	
Significant deficiency(ies) identified?	<u> </u> yes	<u> X </u> none reported	
Noncompliance material to financial statements noted?	<u> </u> yes	<u> X </u> no	

Federal Awards

Internal control over major programs:			
Material weakness(es) identified?	<u> </u> yes	<u> X </u> no	
Significant deficiency(ies) identified?	<u> </u> yes	<u> X </u> none reported	
Type of auditor's report issued on compliance for major programs:	Unmodified		
Any audit findings disclosed that are required to be reported in accordance with section 2CFR 200.516(a) of the Uniform Guidance?	<u> </u> yes	<u> X </u> no	
Auditee qualified as low-risk auditee?	<u> </u> yes	<u> X </u> no	
Identification of major federal program:			

CFDA Number

20.507, 20.526

Name of Federal Program or Cluster

Federal Transit Cluster

Federal

Dollar threshold used to distinguish between type A and type B programs:

 \$ 750,000

**Rockford Mass Transit District
Enterprise and Fiduciary Funds
(A Component Unit of the City of Rockford, Illinois)**

Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

Section II - Financial Statement Findings Required to be Reported in Accordance with *Government Auditing Standards*

Finding 2023-001: Financial Reporting

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

Condition: We, as your auditors, prepared the financial statements. In addition, for fiscal year 2023 we prepared material journal entries related to complex areas including other post-employment benefits and self-insurance activity. This is a continued finding from the prior year and was number 2022-001.

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

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

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

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

Section III - Federal Award Findings and Questioned Costs

None noted.

Section IV - Prior Year Findings

Finding 2022-001 Repeated as 2023-001