

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

Financial Statements and
Supplementary Information

June 30, 2025 and 2024

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

Table of Contents
June 30, 2025 and 2024

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis (Required Supplementary Information)	4
Financial Statements	
Enterprise Fund	
Statements of Net Position	14
Statements of Revenues, Expenses and Changes in Net Position	16
Statements of Cash Flows	17
Fiduciary Fund	
Statements of Plan Net Position	19
Statements of Changes in Plan Net Position	20
Notes to Financial Statements	21
Required Supplementary Information	
Defined Benefit Pension Plan - Schedule of the Changes in the Employer's Net Pension Liability and Related Ratios	47
Defined Benefit Pension Plan - Schedule of Employer Contributions and Notes to Required Supplementary Information	48
Defined Benefit Pension Plan - Schedule of Investment Returns	49
Other Postemployment Benefits Plan - Schedule of Changes in Net OPEB Liability and Related Ratios	50
Other Postemployment Benefits Plan - Schedule of Contributions and Notes to Required Supplementary Information	51
Supplementary Information	
Operating Expenses - Excluding Depreciation	52

**Rockford Mass Transit District
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Table of Contents
June 30, 2025 and 2024

	<u>Page</u>
Illinois Department of Transportation	
Report on Compliance With Laws and Regulations Applicable to the Financial Assistance Received From the Illinois Department of Transportation	53
Schedule of Operating Subsidy - Under Downstate Operating Assistance Grant	55
Other Reports	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	56

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 enterprise fund and fiduciary fund of Rockford Mass Transit District (the District), as of and for the years ended June 30, 2025 and 2024, 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, 2025 and 2024, and the changes in financial position and cash flows, where applicable, 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 audits. 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 opinion. 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 audits were 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 29, 2025 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 29, 2025

Rockford Mass Transit District (RMTD)
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2025 and 2024
(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, 2025 and 2024. 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 2025, at \$1,538,783, was 2.00% higher than the comparable fiscal year 2024 total operating revenues of \$1,508,648. Fixed Route passengers for fiscal year 2025, at 1,375,381 was 0.80% lower than the comparable fiscal year 2024 fixed route passenger service of 1,386,367. Paratransit passenger service for fiscal year 2025, at 147,611 was 18.8% higher than the comparable fiscal year 2024 paratransit passenger service of 124,288.
- Total operation and maintenance expenses for fiscal year 2025, at \$24,447,265 was 4.94% higher than the comparable total operation and maintenance expenses for fiscal year 2024 of \$23,296,277.
- Total operating subsidies for fiscal year 2025, at \$24,060,464, was 10.63% higher than the comparable total operating subsidies for fiscal year 2024 of \$22,628,504.
- Total net position for fiscal year 2025 at \$54,794,726, was 19.73% higher than the comparable total net assets for fiscal year 2024 of \$45,764,069.
- Total noncurrent assets comprised of capital assets (net of depreciation) for fiscal year 2025, at \$55,978,059, was 19.90% higher than the comparable total noncurrent assets for fiscal year 2024 of \$46,685,792.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of this annual report consists of six parts: management 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,

FINANCIAL ANALYSIS OF THE RMTD

Expenses and Changes in Net Assets. All assets and liabilities associated with the operation of RMTD are included in the Statements of Net Assets.

Statement of Net Position

RMTD's total net position on June 30, 2025, totaled \$54,794,726, a 19.73% increase from June 30, 2024, total net position that totaled \$45,764,069. (See Table A-1.) Total assets & deferred outflow of resources increased 15.47% to \$68,628,124 and total liabilities decreased 4.35% to \$12,816,461.

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

	2025	2024	2024 - 2025 % Change	2023
Current assets	12,465.9	12,528.3	-0.50%	11,318.9
Non-current assets	55,978.1	46,685.8	19.90%	39,357.5
Pension deferred outflows	184.2	221.5	-16.84%	2,233.8
Total Assets	68,628.2	59,435.6	15.47%	52,910.2
Current liabilities	4,714.7	3,415.1	38.05%	2,888.4
Lease liability	1,466.7	1,641.7	-10.66%	1,809.2
Deferred credits	2,604.6	2,262.2	15.14%	2,243.1
Pension liability	1,475.9	3,298.2	-55.25%	5,568.6
Post-employment benefits obligations	2,554.6	2,781.6	-8.16%	2,871.4
Total liabilities	12,816.5	13,398.8	-4.35%	15,380.7
Pension deferred inflows of resources	1,016.9	272.7	272.90%	64.8
Net assets:				
Investment in capital assets, net of related debt	54,336.4	44,876.6	21.08%	37,388.1
Restricted for EBT, public liability, & W/C	490.1	813.3	-39.74%	-
Unrestricted	(31.8)	74.1	-142.91%	76.5
Total net position	54,794.7	45,764.0	19.73%	37,464.6
Total liabilities, deferred inflows, and net position	68,628.1	59,435.5	15.47%	52,910.1

The total current assets for fiscal year 2025, at \$12,465,906, decreased by 0.50% in comparison to the current assets for fiscal year 2024 of \$12,528,310.

The total current assets for fiscal year 2024, at \$12,528,310, increased by 10.68% in comparison to the current assets for fiscal year 2023 of \$11,318,889.

The current liabilities for fiscal year 2025, of 4,714,714, increased by 38.05% in comparison to the current liabilities of fiscal year 2024 of \$3,415,105.

The current liabilities for fiscal year 2024 of \$3,415,105, decreased by 18.24% in comparison to the current liabilities of fiscal year 2023 of \$2,888,381.

Capital assets less accumulated depreciation and amortization for fiscal year 2025, at \$56,978,059, increased by 19.90% in comparison to the capital assets less accumulated depreciation and amortization for fiscal year 2024 of \$46,685,792. Four Gillig Hybrid Fixed Route Buses were purchased during the fiscal year along with Eight CVP Vehicles. Depreciation Expense for fiscal year 2025, amounted to \$4,575,644.

Capital assets accumulate less depreciation and amortization for fiscal year 2024, at \$46,685,792, increased by 18.62% in comparison to the capital assets less accumulated depreciation and amortization for fiscal year 2023 of \$39,357,726. Depreciation Expense for fiscal year 2024, amounted to \$3,597,579.

In compliance with GASB 68, a net pension liability of \$1,475,892 was recognized during fiscal year 2025 compared to a net pension liability of \$3,298,222 in fiscal year 2024. Investment performance was a major factor in the decreased liability. In accordance with the compliance, a pension deferred outflow of \$184,159 and a pension deferred inflow of \$1,016,937 were also recognized. The annual normal contribution to the pension plan was \$1,600,000 for fiscal year 2025.

In compliance with GASB 68, a net pension liability of \$3,298,222 was recognized during fiscal year 2024 compared to a net pension liability of \$5,568,641 in fiscal year 2023. In accordance with the compliance, a pension deferred outflow of \$221,538 and a pension deferred inflow of \$272,739 were also recognized. The annual normal contribution to the pension plan was \$1,550,000 for fiscal year 2024.

In compliance with GASB 75, the other post-employment obligation (liability) for the fiscal year end June 30, 2025 decreased by \$226,959, to \$2,554,610 from \$2,781,569.

In compliance with GASB 75, the other post-employment obligation (liability) for the fiscal year end June 30, 2024 decreased by \$89,935, to \$2,781,569 from \$2,871,504.

Statement of Revenues, Expenses and Changes in Net Position

The total net position for fiscal year 2025, was \$54,794,726 compared to a net position of \$45,764,067 at the end of fiscal year 2024. (See Table A-2.)

The total net position for fiscal year 2024, was \$45,764,067 compared to a net position of \$37,464,610 at the end of fiscal year 2023.

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

	2025	2024	2024 - 2025 % Change	2023
Operating Revenues:				
Passenger fares	1,397.2	1,363.8	2.45%	1,086.6
Advertising	70.4	65.1	8.14%	73.5
Other	71.2	79.7	-10.66%	89.3
Total operating revenues	1,538.8	1,508.6	2.00%	1,249.4
Operating Expenses:				
Operating Expenses	24,447.3	23,296.3	4.94%	20,981.2
Provision for depreciation	4,575.6	3,597.6	27.18%	2,355.8
Total Operating expenses	29,022.9	26,893.9	7.92%	23,337.0
Operating loss	(27,484.1)	(25,385.3)	8.27%	(22,087.6)
Total operating subsidies	24,225.6	22,628.5	7.06%	20,424.4
Capital contributions	12,146.8	10,965.0	10.78%	6,590.0
Investment income & other	223.8	179.8	24.47%	89.6
Total nonoperating revenue & capital contributions	36,596.2	33,773.3	8.36%	27,104.0
Change in net position	9,030.6	8,299.5	8.81%	4,920.7
Net position, beginning of the year	45,764.1	37,464.6	22.15%	32,543.9
Net position, end of the year	54,794.7	45,764.1	19.73%	37,464.6

RMTD's total operating revenues increased by 2.0% to \$1,538,783 from \$1,508,648. Fixed Route Services enjoyed an increase of 21.2% in passengers and Paratransit Passenger Trips increased by 18.85%.

RMTD's total operating revenues increased by 20.75% to \$1,508,648 from \$1,249,411. Recovery of service usage after the pandemic was still occurring during the fiscal year end June 30, 2024.

The total operating expenses (including depreciation) increased by 7.92% to \$29,022,909 from \$26,893,853 during the fiscal year end June 30, 2025 in comparison to the previous fiscal year end. Labor increased 5.95% to \$9,898,420 from \$9,342,707.

The total operating expenses (including depreciation) increased by 15.24% to \$26,893,853 from \$23,337,077 during fiscal year end June 30, 2024, in comparison to the previous fiscal year end.

The capital contribution for fiscal year 2025, at \$12,146,827, was 10.78% higher than the comparable capital contribution for fiscal year 2024 of \$10,965,032.

The capital contribution for fiscal year 2024, at \$10,965,032, was 66.39% higher than the comparable capital contribution for fiscal year 2023 of \$6,589,964.

The investment income for the fiscal year 2025, at \$223,811, was 24.51% higher than the comparable investment income for fiscal year 2024 of \$179,754.

The investment income for the fiscal year 2024, at \$179,754 was 100.60% higher than the comparable investment income for fiscal year 2023 of \$89,608.

Operating Expenses

Total operating expenses per the schedule of operating schedule for fiscal year 2025, at \$25,924,058, increased by 11.04% in comparison to fiscal year 2024 of \$23,346,530. (See Table A-3 for details by operating function.)

Total operating expenses per the schedule of operating schedule for fiscal year 2024, at \$23,346,530, increased by 4.83% in comparison to fiscal year 2023 of \$20,715,955.

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

	2025	2024	2024 - 2025 % Change	2023
Labor	9,898.5	9,342.7	5.95%	7,804.2
Fringe benefits	8,006.9	7,462.7	7.29%	7,586.6
Services	1,963.0	1,849.7	6.13%	1,577.9
Materials and supplies	2,682.4	2,751.6	-2.51%	2,542.6
Utilities	516.7	439.4	17.59%	372.4
Casualty and liability	1,427.3	1,130.6	26.24%	1,066.3
Taxes	6.0	8.7	-30.92%	4.9
Purchased transportation	751.1	739.3	1.60%	564.8
Miscellaneous	262.7	293.0	-10.34%	433.8
Self-insurance trust activities	(26.6)	(721.5)	-96.31%	(972.3)
Expenses per Operating Subsidy	25,488.0	23,296.2	9.41%	20,981.4
Pension expense in excess of GASB 68	1,040.8	11.8	-	21.7
Total operating cost for operating subsidy	26,528.8	23,308.0	13.82%	21,003.1

Labor expenses for fiscal year 2025, at \$9,898,420, were 5.95% higher than the comparable fiscal year 2024 labor wages of \$9,342,707. Within that, Operator wages were 7.07% higher at \$7,136,563 from \$6,665,177.

Labor expenses for fiscal year 2024, at \$9,342,707, were 19.71% higher than the comparable fiscal year 2023 labor wages of \$7,804,205.

Fringe benefits expenses of \$8,006,922 for fiscal year 2025 were 7.29% lower than the comparable fiscal year 2024 fringe benefits of \$7,462,828. Fringe Benefits include sick, holiday and vacation time for all employees. An annual pension contribution in the amount of \$1,750,000 was approved by the RMTD

Board for fiscal year ending June 30, 2025. The other main categories under fringe benefits were medical expenditure and workers compensation insurance.

Fringe benefits expenses of \$7,462,828 for fiscal year 2024 were 1.86% higher than the comparable fiscal year 2023 fringe benefits of \$7,326,340. Fringe Benefits include sick, holiday and vacation time for all employees. An annual pension contribution in the amount of \$1,550,000 was approved by the RMTD Board for fiscal year ending June 30, 2024. The other main categories under fringe benefits were medical expenditure and workers compensation insurance.

Service expenses for fiscal year 2025, at \$1,963,030, were 6.13% higher than the comparable fiscal year 2024 services of \$1,849,666.

Services expenses for fiscal year 2024, at \$1,849,666 were 8.52% higher than the comparable fiscal year 2023 services of \$1,704,407. Significant areas of increases were in the professional services (ATU negotiations), repairs and maintenance (revisions for electric vehicles) and security service categories.

Materials and supplies expenses for fiscal year 2025, at \$2,682,439, were 2.58% lower than the comparable fiscal year 2024 material and supplies of \$2,751,629.

Materials and supplies expenses for fiscal year 2024, at \$2,751,629, were 6.11% higher than the comparable fiscal year 2023 material and supplies of \$2,593,092. The increase in the cost of fuel was the primary increase in this category.

Utilities expenses for fiscal year 2025, at \$516,653, were 17.59% higher than the comparable fiscal year 2024 utilities of \$439,420. The increase was due to attaining and utilizing additional Fixed Route Electric Buses that replaced Diesel Fuel Buses.

Utilities expenses for fiscal year 2024, at \$439,420, were 17.99% higher than the comparable fiscal year 2023 utilities of \$372,421. The utilization of Fixed Route Electric Buses and the increase in fuel prices caused this increase.

Casualty and liability expenses for fiscal year 2025, at \$1,427,320, were 26.24% higher than the comparable fiscal year 2024 casualty and liability expenses of \$1,130,599. All areas of insurance were up for fiscal year ending June 30, 2025, in comparison to the previous fiscal year.

Casualty and liability expenses for fiscal year 2024, at \$1,130,599, were 9.31% higher than the comparable fiscal year 2023 casualty and liability expenses of \$1,034,301. All areas of insurance were up for fiscal year ending June 30, 2024 in comparison to the previous fiscal year.

Purchased transportation expenses of \$751,148 were operating expenses incurred during fiscal year 2025 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 2024, the purchased transportation expense for BCCA was \$739,255. Utilization rose in Fiscal Year 2025 compared to Fiscal Year 2024.

Purchased transportation expenses of \$739,255 were operating expenses incurred during fiscal year 2024 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 2023, the purchased transportation expense incurred for BCCA was \$564,822. A significant increase to the contracted cost per trip was agreed upon by all parties, during fiscal year 2024.

Miscellaneous expenses for fiscal year 2025, at \$262,744, were 10.34% lower than the comparable fiscal year 2024 miscellaneous expenses of \$292,996. The miscellaneous expense category includes advertising fees.

Miscellaneous expenses for fiscal year 2024, at \$292,966, were 3.30% lower than the comparable fiscal year 2023 miscellaneous expenses of \$283,611. 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 2025, at \$55,978,059, was 19.90% higher than the comparable total net capital assets (net of depreciation) for fiscal year 2024 of \$46,685,792. (See table A-4 for details)

The total net capital assets (net of depreciation) for fiscal year 2024, at \$46,685,792, was 18.62% higher than the comparable total net capital assets (net of depreciation) for fiscal year 2023 of \$39,357,726.

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

	2025	2024	2024 - 2025 % Change	2023
Land	3,173.1	2,917.9	9%	2,918.1
Construction Work in Process	10,036.3	1,650.5		-
Transit Plant in Service	68,138.2	65,214.8	4%	60,948.1
Leased Assets	2,371.7	2,371.7	0%	2,371.7
Total Gross Capital Assets	83,719.3	72,154.9	13%	66,237.9
Less: Accumulated depreciation	(27,741.2)	(25,469.1)	9%	(26,880.2)
Net Capital Assets	55,978.1	46,685.8	9%	39,357.7

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, 2025, RMTD attained 4 – Fixed Route Buses at \$994,473 each for a total of \$3,977,892. attained 8 CVP Buses for \$119,883 each for a total of \$959,063. A floor scrubber was attained for \$21,668. Also, attained 8 cameras for CVP Buses totaling \$61,089.

Construction in process occurred during Fiscal Year ending June 30, 2025, regarding a \$29,577,000 contract that has been entered into regarding a Downtown Facility expansion that began during the fall of calendar year 2024. The project is expected to take approximately 730 days. The Downtown Facility expansion will be the primary emphasis regarding capital projects efforts during Fiscal Year ending June 30, 2025, 2026 and into 2027.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

For the fiscal year ending June 30, 2026, 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 \$30,495,481 compared to \$26,699,862 for fiscal year ending June 30, 2025.

The fiscal year 2026 operational budget includes projected expenditures of \$22,539,948 for fixed route services and \$7,955,533 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 \$817,127. A battery lease, under Debt Service of \$248,897 was also budgeted for in fiscal year ending June 30, 2026.

Total operating revenues for the fiscal year ending June 30, 2026, are projected to be \$1,729,305 of which included \$80,000 projected for advertising revenue, \$160,000 for investment income and \$45,000 for non-transportation revenue. Fixed route passenger service is projected at \$1,130,100 and paratransit service revenue was projected at \$599,205. STMD farebox revenue is projected at \$28,643. BCCA farebox revenue is projected to be \$19,728. 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, 2026, are projected to be \$28,766,176. Most 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 at \$18,527,718.

It is RMTD's goal to maximize the services that can be provided by RMTD in the most economically 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 and expansion into the county 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 employees 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, 201 North Winnebago Street, Rockford, IL 61114.

ENTERPRISE FUND

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

Statements of Net Position

June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Assets		
Current assets:		
Cash and investments	\$ 1,491,234	\$ 2,601,302
Cash and investments designated for OPEB	1,338,690	2,922,198
Cash and investments restricted for public liability, employee health insurance and workers compensation claims	778,407	1,066,562
Grant receivables:		
Federal Transit Administration, operating grants	490,226	589,984
Federal Transit Administration, capital grants	334,771	218,275
State of Illinois operating assistance	2,189,348	1,973,708
State of Illinois capital grant	4,390,836	926,831
Other receivables	483,122	1,278,117
Supplies inventory	600,984	631,034
Prepaid expenses	368,288	320,299
	<u>12,465,906</u>	<u>12,528,310</u>
Total current assets		
Noncurrent assets:		
Capital assets:		
Land	1,992,553	1,992,553
Land improvements	1,180,507	925,338
Transit capital assets in service	68,138,221	65,214,788
Leased assets	2,371,716	2,371,716
Accumulated depreciation	(27,741,210)	(25,469,073)
Construction work in process	10,036,272	1,650,470
	<u>55,978,059</u>	<u>46,685,792</u>
Total noncurrent assets		
	<u>68,443,965</u>	<u>59,214,102</u>
Total assets		
Deferred Outflows of Resources		
Pension deferred outflows of resources	184,159	221,538
	<u>68,628,124</u>	<u>59,435,640</u>
Total assets and deferred outflows of resources		

See notes to financial statements

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

Statements of Net Position

June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Liabilities		
Current liabilities:		
Accounts payable	\$ 1,996,073	\$ 973,965
Accrued wages, compensated absences and benefits	1,380,351	1,245,419
Lease liability	175,020	167,484
Pension contributions payable	875,000	775,000
Current liabilities payable from restricted assets:		
Accrued expenses, self-insurance liabilities	<u>288,270</u>	<u>253,237</u>
Total current liabilities	<u>4,714,714</u>	<u>3,415,105</u>
Noncurrent liabilities:		
Pension liability	1,475,892	3,298,222
Unearned revenues	2,604,570	2,262,243
Lease liability	1,466,675	1,641,695
Other postemployment benefit liability	<u>2,554,610</u>	<u>2,781,569</u>
Total noncurrent liabilities	<u>8,101,747</u>	<u>9,983,729</u>
Total liabilities	<u>12,816,461</u>	<u>13,398,834</u>
Deferred Inflows of Resources		
Pension deferred inflows of resources	<u>1,016,937</u>	<u>272,739</u>
Net Position		
Net investment in capital assets	54,336,364	44,876,613
Restricted for public liability, employee health insurance and workers compensation claims	490,137	813,325
Unrestricted	<u>(31,775)</u>	<u>74,129</u>
Total net position	<u>\$ 54,794,726</u>	<u>\$ 45,764,067</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, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Operating Revenues		
Passenger fares	\$ 1,397,236	\$ 1,363,792
Advertising	70,394	65,108
Other	71,153	79,748
	<u>1,538,783</u>	<u>1,508,648</u>
Total operating revenues		
Operating Expenses		
Transportation	14,534,353	13,871,392
Maintenance	5,121,619	4,946,473
General administration	4,791,293	4,478,412
	<u>24,447,265</u>	<u>23,296,277</u>
Total operation and maintenance expenses		
Depreciation expense	4,575,644	3,597,579
	<u>29,022,909</u>	<u>26,893,856</u>
Total operating expenses		
Operating loss	<u>(27,484,126)</u>	<u>(25,385,208)</u>
Nonoperating Revenues and Expenses		
Investment income	223,811	179,754
Operating subsidies:		
Federal	4,554,739	3,686,585
State of Illinois	15,881,297	14,678,634
City of Rockford	1,300,765	1,548,000
Stateline Mass Transit District	1,491,779	1,656,803
City of Loves Park	472,408	476,352
Village of Machesney Park	276,589	288,168
Boone County	247,983	293,962
	<u>24,225,560</u>	<u>22,628,504</u>
Total operating subsidies		
Interest expense	81,413	88,625
	<u>24,367,958</u>	<u>22,719,633</u>
Total nonoperating revenues and expenses		
Income (loss) before contributions	(3,116,168)	(2,665,575)
Capital Contributions, Federal, State and Local	<u>12,146,827</u>	<u>10,965,032</u>
Change in net position	9,030,659	8,299,457
Net Position, Beginning	<u>45,764,067</u>	<u>37,464,610</u>
Net Position, Ending	<u>\$ 54,794,726</u>	<u>\$ 45,764,067</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, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash Flows From Operating Activities		
Received from customers	\$ 2,433,778	\$ 1,058,743
Received from other sources	-	144,856
Paid to suppliers for goods and services	(16,363,507)	(13,698,239)
Paid to employees for services	(9,898,420)	(9,324,757)
	<u>(23,828,149)</u>	<u>(21,819,397)</u>
Cash flows from operating activities		
Cash Flows From Noncapital Financing Activities		
Cash receipts from operating subsidies	<u>24,225,560</u>	<u>22,215,476</u>
Cash Flows From Investing Activities		
Investment income	<u>223,811</u>	<u>179,754</u>
Cash flows from investing activities		
	<u>223,811</u>	<u>179,754</u>
Cash Flows From Capital and Related Financing Activities		
Lease payment	(248,897)	(248,897)
Acquisition and construction of capital assets	(12,146,827)	(10,886,654)
Capital contributions, federal, state and local	8,792,771	11,636,093
	<u>(3,602,953)</u>	<u>500,542</u>
Cash flows from capital and related financing activities		
Net change in cash and cash equivalents	(2,981,731)	1,076,375
Cash and Cash Equivalents, Beginning	<u>6,590,062</u>	<u>5,513,687</u>
Cash and Cash Equivalents, Ending	<u>\$ 3,608,331</u>	<u>\$ 6,590,062</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, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Reconciliation of Operating Loss to Net Cash		
Flows From Operating Activities		
Operating loss	\$ (27,484,126)	\$ (25,385,208)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Noncash items included in operating loss:		
Depreciation expense	4,575,644	3,597,579
Changes in assets, deferred outflows of resources and liabilities:		
Accounts receivable	794,995	(305,049)
Supplies inventory	30,050	9,195
Prepaid expenses	(47,989)	(95,226)
Accounts payable	(698,976)	363,783
Accrued expenses, self-insurance liabilities	134,932	(41,597)
Accrued expenses, other	135,033	158,137
Advance from City of Rockford	-	19,176
Pension liability and related deferrals	(1,040,753)	(50,252)
Other postemployment benefit liability	(226,959)	(89,935)
	<u> </u>	<u> </u>
Net cash flows from operating activities	<u>\$ (23,828,149)</u>	<u>\$ (21,819,397)</u>
	-	
Reconciliation of Cash and Cash Equivalents to		
Statements of Net Position Accounts		
Cash and investments	\$ 1,491,234	\$ 2,601,302
Cash and investments designated for OPEB	1,338,690	2,922,198
Cash and investments restricted for public liability, employee health insurance and workers compensation claims	<u>778,407</u>	<u>1,066,562</u>
	<u> </u>	<u> </u>
Cash and cash equivalents	<u>\$ 3,608,331</u>	<u>\$ 6,590,062</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, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Assets		
Cash and cash equivalents	\$ 484,524	\$ 466,568
Investments at fair value:		
Traditional mutual funds	16,682,513	16,756,896
Bonds funds	13,247,820	10,649,133
Alternative mutual funds	1,654,640	1,466,732
Unconstrained	1,560,505	1,406,333
Contributions receivable	<u>875,000</u>	<u>775,000</u>
Total assets	<u>34,505,002</u>	<u>31,520,662</u>
Net position restricted for pensions	<u>\$ 34,505,002</u>	<u>\$ 31,520,662</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, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Additions		
Employer contributions	\$ 1,750,000	\$ 1,550,000
Net additions	<u>1,750,000</u>	<u>1,550,000</u>
Investment income (loss):		
Capital appreciation (depreciation)	2,214,721	2,695,023
Dividend income	918,464	769,845
Less investment expense	<u>(107,755)</u>	<u>(97,175)</u>
Net investment income (loss)	<u>3,025,430</u>	<u>3,367,693</u>
Total additions	<u>4,775,430</u>	<u>4,917,693</u>
Deductions		
Benefit payments	1,758,578	1,666,017
Other plan expenses	<u>32,512</u>	<u>26,655</u>
Total deductions	<u>1,791,090</u>	<u>1,692,672</u>
Net increase in new position	2,984,340	3,225,021
Net Position, Beginning	<u>31,520,662</u>	<u>28,295,641</u>
Net Position, Ending	<u>\$ 34,505,002</u>	<u>\$ 31,520,662</u>

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

Notes to Financial Statements
June 30, 2025 and 2024

1. Summary of Significant Accounting Policies

In June 2022, the Governmental Accounting Standards Board (GASB) issue Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized in financial statements prepared using the economic resources measurement focus for (1) leave that has not been used and (2) leave that has been used but not year paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The impact of the District was immaterial, and therefore no restatement is required. This standard was implemented July 1, 2024.

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.

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

Notes to Financial Statements
June 30, 2025 and 2024

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.

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 postemployment benefits (OPEB) obligation.

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

Notes to Financial Statements
June 30, 2025 and 2024

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.

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.

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

Notes to Financial Statements
June 30, 2025 and 2024

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.

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 Postemployment Benefit Liability (OPEB)

The District provides postemployment 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, 2025 and 2024.

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

Notes to Financial Statements
June 30, 2025 and 2024

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.

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, leases 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.

Restricted - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

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.

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

Notes to Financial Statements
June 30, 2025 and 2024

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.

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

The GASB has approved the following statements:

- Statement No. 103, *Financial Reporting Model Improvements*
- Statement No. 104, *Disclosure of Certain Capital Assets*

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>2025</u>	<u>2024</u>	<u>Risks</u>
Checking and savings (including pension)	\$ 2,513,853	\$ 3,829,343	Custodial credit Credit risk, interest rate risk
Pension trust funds	33,145,478	30,279,094	
Money market	<u>1,579,002</u>	<u>3,227,287</u>	Custodial credit
Total	<u>\$ 37,238,333</u>	<u>\$ 37,335,724</u>	

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

Notes to Financial Statements
June 30, 2025 and 2024

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, 2025 and 2024, 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.

As of June 30, 2025, the Plan's investments were rated as follows:

Investment Type	<u>Morningstar</u>
Traditional mutual funds	NR-5
Bond funds	1-5
Alternative mutual funds	5
Unconstrained funds	5

As of June 30, 2024, the Plan's investments were rated as follows:

Investment Type	<u>Morningstar</u>
Traditional mutual funds	NR-5
Bond funds	2-5
Alternative mutual funds	5
Unconstrained funds	2-3

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, 2025, the Plan's investments exposed to interest rate risk were as follows:

Investment Type	Fair Value	<u>Investment Maturities in Years</u>		
		<u>Less Than 1 Year</u>	<u>1-5 Years</u>	<u>Greater Than 5 Years</u>
Bond Funds	\$ 13,247,820	\$ 13,247,820	\$ -	\$ -

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

Notes to Financial Statements
June 30, 2025 and 2024

As of June 30, 2024, 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	\$ 10,649,133	\$ 10,649,133	\$ -	\$ -

Rate of Return

For the years ended June 30, 2025 and 2024, the annual money-weighted rate of return on pension plan investments, net of Pension Fund investment expense, was 4.6% and 5.1%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

	June 30, 2025			
	Level 1	Level 2	Level 3	Total
Traditional mutual funds	\$ 16,682,513	\$ -	\$ -	\$ 16,682,513
Bond funds	13,247,820	-	-	13,247,820
Alternative mutual funds	1,654,640	-	-	1,654,640
Unconstrained funds	1,560,505	-	-	1,560,505
Total	\$ 33,145,478	\$ -	\$ -	\$ 33,145,478

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

Notes to Financial Statements
June 30, 2025 and 2024

	June 30, 2024			
	Level 1	Level 2	Level 3	Total
Traditional mutual funds	\$ 16,756,896	\$ -	\$ -	\$ 16,756,896
Bond funds	10,649,133	-	-	10,649,133
Alternative mutual funds	1,466,732	-	-	1,466,732
Unconstrained funds	1,406,333	-	-	1,406,333
Total	\$ 30,279,094	\$ -	\$ -	\$ 30,279,094

3. Changes in Capital Assets

A summary of changes in the District's capital assets for 2025 and 2024:

	Balance July 1, 2024	Additions	Retirements	Balance June 30, 2025
Capital assets, not being depreciated:				
Land	\$ 1,992,553	\$ -	\$ -	\$ 1,992,553
Construction in progress	1,650,470	8,385,802	-	10,036,272
Total capital assets not being depreciated	3,643,023	8,385,802	-	12,028,825
Capital assets, being depreciated:				
Land improvements	925,338	255,169	-	1,180,507
Buildings	26,034,634	117,550	-	26,152,185
Buses and service vehicles	31,474,941	4,998,044	(1,826,482)	34,646,502
Battery lease	2,371,716	-	-	2,371,716
Equipment and office furniture	7,705,213	111,346	(477,025)	7,339,534
Total capital assets being depreciated	68,511,842	5,482,109	(2,303,507)	71,690,444
Total capital assets	72,154,865	13,867,911	(2,303,507)	83,719,269
Less accumulated depreciation	(25,469,073)	(4,575,644)	2,303,507	(27,741,210)
Total capital assets, net	\$ 46,685,792	\$ 9,292,267	\$ -	\$ 55,978,059

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

Notes to Financial Statements
June 30, 2025 and 2024

	<u>Balance July 1, 2023</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2024</u>
Capital assets, not being depreciated:				
Land	\$ 1,992,553	\$ -	\$ -	\$ 1,992,553
Construction in progress	-	1,650,470	-	1,650,470
	<u>1,992,553</u>	<u>1,650,470</u>	<u>-</u>	<u>3,643,023</u>
Total capital assets not being depreciated	1,992,553	1,650,470	-	3,643,023
Capital assets, being depreciated:				
Land improvements	925,338	-	-	925,338
Buildings	26,034,634	-	-	26,034,634
Buses and service vehicles	27,540,499	8,815,210	(4,880,768)	31,474,941
Battery lease	2,371,716	-	-	2,371,716
Equipment and office furniture	7,372,987	460,165	(127,939)	7,705,213
	<u>64,245,174</u>	<u>9,275,375</u>	<u>(5,008,707)</u>	<u>68,511,842</u>
Total capital assets being depreciated	64,245,174	9,275,375	(5,008,707)	68,511,842
Total capital assets	66,237,727	10,925,845	(5,008,707)	72,154,865
Less accumulated depreciation	(26,880,201)	(3,597,579)	5,008,707	(25,469,073)
Total capital assets, net	<u>\$ 39,357,526</u>	<u>\$ 7,328,266</u>	<u>\$ -</u>	<u>\$ 46,685,792</u>

4. Leases

On 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, 2024, the District recognized a right to use lease asset of \$2,371,716 and a lease liability of \$1,809,179, of which \$167,484 is current. As of June 30, 2025, the District has a remaining lease liability of \$1,641,695, of which \$175,020 is current.

Principal and interest payments on the loan are as follows:

	<u>Principal</u>	<u>Interest</u>
Fiscal years ending June 30,		
2026	175,020	73,876
2027	182,896	66,000
2028	191,127	57,770
2029	199,727	49,169
2030	208,715	40,182
2031-2033	<u>684,210</u>	<u>62,482</u>
Total	<u>\$ 1,641,695</u>	<u>\$ 349,479</u>

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

Notes to Financial Statements
June 30, 2025 and 2024

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 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Federal	\$ 4,554,739	\$ 3,686,585
State of Illinois	15,881,297	14,678,634
City of Rockford*	1,135,669	1,548,000
Stateline Mass Transit District	1,491,779	1,656,803
City of Loves Park	472,408	476,352
Village of Machesney Park	276,589	288,168
Boone County	247,983	293,962

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

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.

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

Notes to Financial Statements
June 30, 2025 and 2024

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:

	<u>Employee Benefit Fund</u>	<u>Public Liability Fund</u>	<u>Worker's Compensation Fund</u>
Liability July 1, 2024	\$ 234,258	\$ 18,979	\$ -
Add claims incurred and adjustments	3,509,733	2,373,360	-
Less claims paid	<u>(3,565,122)</u>	<u>(2,282,938)</u>	<u>-</u>
Liability June 30, 2025	<u>\$ 178,869</u>	<u>\$ 109,401</u>	<u>\$ -</u>
Liability July 1, 2023	\$ 271,933	\$ 22,901	\$ -
Add claims incurred and adjustments	3,061,724	2,288,360	-
Less claims paid	<u>(3,099,399)</u>	<u>(2,292,282)</u>	<u>-</u>
Liability June 30, 2024	<u>\$ 234,258</u>	<u>\$ 18,979</u>	<u>\$ -</u>

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.

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

Notes to Financial Statements
June 30, 2025 and 2024

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, 2025.

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.

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.

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

Notes to Financial Statements
June 30, 2025 and 2024

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.

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, 2025 and 2024.

	2025				2024			
	Admin	ATU	IBEW	Total	Admin	ATU	IBEW	Total
Active participants	17	42	12	71	20	46	13	79
Retired participants and beneficiaries	27	91	17	135	25	87	16	128
Terminated vested participants	13	26	9	48	13	27	9	49
Total plan participants	57	159	38	254	58	160	38	256

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

Notes to Financial Statements
June 30, 2025 and 2024

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, 2024 valuation is the basis for contributions in fiscal 2025. 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 2025 and 2024, the required contributions were \$1,102,567 and \$1,478,731, respectively, or 39.57% and 32.47%, respectively, of the covered payroll per year. The District's actual Plan contributions for Plan fiscal years 2025 and 2024 were \$1,750,000 and \$1,550,000 respectively. The District's total payroll for the Plan fiscal years ended June 30, 2025 and 2024 was approximately \$4,422,643 and \$4,774,158, respectively.

On June 30, 2025 and 2024, the District reported a net pension liability of \$1,475,892 and \$3,298,222, respectively. The net pension liability was measured as of June 30, 2025 and 2024, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates.

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.

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

Notes to Financial Statements
June 30, 2025 and 2024

For the years ended June 30, 2025 and 2024, the District recognized pension expense of \$717,330 and \$1,494,251, respectively. At June 30, 2025 and 2024, the District reported deferred outflows of resources related to pensions from the following sources:

	2025		2024	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 140,984	\$ 1,016,937	\$ 194,220	\$ 272,739
Net difference between projected and actual earnings on pension plan investments	43,175	-	27,318	-
Total	\$ 184,159	\$ 1,016,937	\$ 221,538	\$ 272,739

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

	Deferred Outflows of Resources
Years ending June 30:	
2026	\$ 549,063
2027	(626,947)
2028	(539,118)
2029	(215,673)
2030	-
Thereafter	-
Total	\$ (832,674)

Actuarial Assumptions

The assumptions noted below were consistently applied in the June 30, 2025 and 2024 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 2025 and 2024, compounded annually, net of investment expense, including inflation.

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

Notes to Financial Statements
June 30, 2025 and 2024

- 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, 2025 and 2024.
- 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, 2025 are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Equity investments:	49.6 %	- %
Domestic stocks	-	6.7-6.9
International stocks	-	7.1
Fixed income investments:	50.4	-
Cash, CDs and money funds	-	3.1
Other fixed-income investments	-	4.6-8.0
Total	100.0 %	

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

Notes to Financial Statements
June 30, 2025 and 2024

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2024 are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Equity investments:	54.5 %	- %
Domestic stocks	-	7.0-7.2
International stocks	-	7.8
Fixed income investments:	45.5	-
Cash, CDs and money funds	-	2.9
Other fixed-income investments	-	5.1-8.2
Total	100.0 %	

Discount Rate

The discount rate used to measure the net pension liability at June 30, 2025 and 2024 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, 2025	\$ 5,287,628	\$ 1,475,892	\$ (1,787,070)
June 30, 2024	\$ 7,010,078	\$ 3,298,222	\$ 123,550

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

Notes to Financial Statements
June 30, 2025 and 2024

The following tables present the changes in the Net Pension Liability reported as of June 30, 2025 and 2024 based on valuations as of June 30, 2025 and 2024:

	Total Pension Liability (a)	Plan Fiduciary Net Pension (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2024	\$ 34,818,884	\$ 31,520,662	\$ 3,298,222
Changes for the year:			
Service cost	562,246	-	562,246
Interest	2,205,017	-	2,205,017
Differences between expected and actual experience	185,837	-	185,837
Employer contributions	-	875,000	(875,000)
Capital appreciation	-	2,214,721	(2,214,721)
Net investment income	-	918,464	(918,464)
Benefit payments	(1,791,090)	(1,791,090)	-
Administrative expenses	-	(107,755)	107,755
Receivables	-	875,000	(875,000)
Net changes	1,162,010	2,984,340	(1,822,330)
Balance at June 30, 2025	\$ 35,980,894	\$ 34,505,002	\$ 1,475,892
	Total Pension Liability (a)	Plan Fiduciary Net Pension (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2023	\$ 33,864,282	\$ 28,295,641	\$ 5,568,641
Changes for the year:			
Service cost	603,278	-	603,278
Interest	2,146,166	-	2,146,166
Differences between expected and actual experience	(102,170)	-	(102,170)
Employer contributions	-	775,000	(775,000)
Capital appreciation	-	2,695,023	(2,695,023)
Net investment income	-	769,845	(769,845)
Benefit payments	(1,692,672)	(1,692,672)	-
Administrative expenses	-	(97,175)	97,175
Receivables	-	775,000	(775,000)
Net changes	954,602	3,225,021	(2,270,419)
Balance at June 30, 2024	\$ 34,818,884	\$ 31,520,662	\$ 3,298,222

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

Notes to Financial Statements
June 30, 2025 and 2024

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, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Unrealized gain (loss)	\$ 1,440,499	\$ 2,181,284
Realized gain (loss)	<u>774,222</u>	<u>513,739</u>
Net capital appreciation (depreciation)	<u>\$ 2,214,721</u>	<u>\$ 2,695,023</u>

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

Notes to Financial Statements
June 30, 2025 and 2024

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 2025 or 2024 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.

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

Notes to Financial Statements
June 30, 2025 and 2024

9. Other Postemployment 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, 2025 and 2024, the following employees were covered by the benefit terms:

	<u>2025</u>	<u>2024</u>
Active employees fully eligible to receive plan benefits	1	2
Active employees not fully eligible	0	0
Retired plan members	<u>22</u>	<u>21</u>
Total plan members	<u>23</u>	<u>23</u>

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

Notes to Financial Statements
June 30, 2025 and 2024

Total OPEB Liability

The District's total OPEB liability of \$2,554,610 and \$2,781,569 were measured as of June 30, 2025 and 2024, 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, 2025 and 2024 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, 2025 and 2024.

The actuarial assumptions used in the June 30, 2025 and 2024 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, 2024	<u>\$ 2,781,569</u>
Changes for the year:	
Service cost	266
Interest	112,314
Difference between expected and actual	(23,700)
Changes in assumptions or other inputs	(135,118)
Benefit payments	<u>(180,721)</u>
Net changes	<u>(226,959)</u>
Balances at June 30, 2025	<u><u>\$ 2,554,610</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, 2025 and 2024

	<u>Total OPEB Liability</u>
Balances at June 30, 2023	\$ 2,871,504
Changes for the year:	
Service cost	305
Interest	114,788
Difference between expected and actual	276
Changes in assumptions or other inputs	(19,847)
Benefit payments	<u>(185,457)</u>
Net changes	<u>(89,935)</u>
Balances at June 30, 2024	<u>\$ 2,781,569</u>

The Coyle Kiley Insurance Agency provided monthly fixed costs of stop loss coverage. The July 1, 2025 monthly renewal costs are \$163.76 for single coverage and \$395.60 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 \$1,152.25 per retiree, \$732.32 per spouse and \$3,078.24 per dependent.

For comparison purposes, the 2025/2024 Fiscal Year monthly medical premiums for active employees are \$793.02 and \$1,165.74 for single and family coverage, respectively.

Changes of assumptions and other inputs reflect a change in the discount rate from 4.21% in 2024 to 4.81% in 2025.

2025 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 (3.81%) or 1-percentage-point higher (5.81%) than the current discount rate:

	<u>1% Decrease (3.81%)</u>	<u>Discount Rate (4.81%)</u>	<u>1% Increase (5.81%)</u>
Total OPEB liability	\$ 2,786,788	\$ 2,554,610	\$ 2,354,113

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

Notes to Financial Statements
June 30, 2025 and 2024

2024 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 (3.21%) or 1-percentage-point higher (5.21%) than the current discount rate:

	1% Decrease (3.21%)	Discount Rate (4.21%)	1% Increase (5.21%)
Total OPEB liability	\$ 3,048,082	\$ 2,781,569	\$ 2,552,545

2025 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	\$ 2,303,612	\$ 2,554,610	\$ 2,843,489

2024 Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

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	\$ 2,498,240	\$ 2,781,569	\$ 3,109,424

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

For the year ended June 30, 2025 and 2024, the District recognized OPEB expenses of \$(46,238) and \$(90,187), respectively. At June 30, 2024 and 2023, the District did not report deferred outflows of resources and deferred inflows of resources.

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

Notes to Financial Statements
June 30, 2025 and 2024

10. Related Parties

The District is a component unit of the City of Rockford, Illinois and, as a consequence, received yearly subsidies of \$1,708,500 and \$1,548,000 for years ended June 30, 2025 and 2024, 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.

The District maintains two separate funds with the Community Foundation of Northern Illinois (CFNIL). These consist of an endowment fund and an operating fund held and managed by CFNIL. As of June 30, 2025, the endowment fund had a balance of \$128,195, and the operating fund had a balance of \$72,257. Because these accounts are held and administered by CFNIL and are not under the District's direct control, the related assets are not reported within the District's financial statements.

11. Commitment and Contingencies

Open Contracts

The District has open contracts for approximately \$34,459,902 for various capital projects including construction contracts, architecture and engineering. As of June 30, 2025, approximately \$8,321,480 has been expended.

12. Subsequent Events

The utility evaluated subsequent events through December 29, 2025, 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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total Pension Liability										
Service cost	\$ 562,246	\$ 603,278	\$ 609,454	\$ 649,006	\$ 699,167	\$ 679,319	\$ 656,666	\$ 754,673	\$ 787,653	\$ 787,517
Interest on the total pension liability	2,205,017	2,146,166	2,056,462	1,983,720	1,876,435	1,877,105	1,858,352	1,707,751	1,581,675	1,473,546
Changes of benefit terms	-	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience of the total pension liability	185,837	(102,170)	342,799	(22,839)	443,651	1,084,228	(650,497)	(507,972)	306,477	(13,037)
Changes of assumptions	-	-	-	-	-	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(1,791,090)	(1,692,672)	(1,564,659)	(1,416,847)	(1,320,598)	(1,160,007)	(923,202)	(794,893)	(779,427)	(635,758)
Net change in total pension liability	1,162,010	954,602	1,444,056	1,193,040	1,698,655	2,480,645	941,319	1,159,559	1,896,378	1,612,268
Total Pension Liability, Beginning	34,818,884	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
Total Pension Liability, Ending (A)	35,980,894	34,818,884	33,864,282	32,420,226	31,227,186	29,528,531	27,047,886	26,106,567	24,947,008	23,050,630
Plan Fiduciary Net Position										
Contributions, employer	875,000	775,000	825,000	800,000	1,224,500	1,500,902	1,501,852	1,404,554	1,404,877	1,606,608
Capital appreciation	2,214,721	2,695,023	1,598,257	(4,380,038)	5,040,996	(206,816)	789,778	896,820	1,420,686	(483,836)
Net investment income	918,464	769,845	769,675	556,972	397,646	517,215	501,103	262,538	328,264	316,672
Benefit payments, including refunds of employee contributions	(1,791,090)	(1,692,672)	(1,564,659)	(1,416,847)	(1,320,598)	(1,160,007)	(923,202)	(794,893)	(779,427)	(635,758)
Other (net transfer)	(107,755)	(97,175)	(84,880)	(98,146)	(94,364)	(85,585)	(90,022)	(89,620)	(76,982)	(69,622)
Receivables	875,000	775,000	825,000	800,000	1,224,500	-	-	-	-	-
Net change in plan fiduciary net position	2,984,340	3,225,021	2,368,393	(3,738,059)	6,472,680	565,709	1,779,509	1,679,399	2,297,418	734,064
Plan Fiduciary Net Position, Beginning	31,520,662	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
Plan Fiduciary Net Position, Ending (B)	34,505,002	31,520,662	28,295,641	25,927,248	29,665,307	23,192,627	22,626,918	20,847,409	19,168,010	16,870,592
Net Pension Liability, Ending (A) - (B)	\$ 1,475,892	\$ 3,298,222	\$ 5,568,641	\$ 6,492,978	\$ 1,561,879	\$ 6,335,904	\$ 4,420,968	\$ 5,259,158	\$ 5,778,998	\$ 6,180,038
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	95.90%	90.53%	83.56%	79.97%	95.00%	78.54%	83.66%	79.86%	76.83%	73.19%
Covered Payroll	\$ 4,422,643	\$ 4,774,158	\$ 4,869,996	\$ 4,987,575	\$ 5,401,972	\$ 5,305,831	\$ 5,601,473	\$ 5,940,051	\$ 6,058,636	\$ 5,937,417
Net Pension Liability as a Percentage of Covered Payroll	33.37%	69.08%	114.35%	130.18%	28.91%	119.41%	78.93%	88.54%	95.38%	104.09%

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contributions	\$ 1,102,567	\$ 1,478,731	\$ 1,648,209	\$ 1,040,498	\$ 1,665,954	\$ 1,655,954	\$ 1,411,523	\$ 1,358,384	\$ 1,307,119	\$ 1,323,509
Contributions in relation to the actuarially determined contribution	1,750,000	1,550,000	1,650,000	1,600,000	2,449,000	2,450,000	1,500,000	1,501,852	1,404,554	1,404,877
Contribution deficiency (excess)	<u>\$ (647,433)</u>	<u>\$ (71,269)</u>	<u>\$ (1,791)</u>	<u>\$ (559,502)</u>	<u>\$ (783,046)</u>	<u>\$ (794,046)</u>	<u>\$ (88,477)</u>	<u>\$ (143,468)</u>	<u>\$ (97,435)</u>	<u>\$ (81,368)</u>
Covered payroll	\$ 4,422,643	\$ 4,774,158	\$ 4,869,996	\$ 4,987,575	\$ 5,401,972	\$ 5,305,831	\$ 5,601,473	\$ 5,940,051	\$ 6,058,636	\$ 5,937,417
Contributions as a percentage of covered-employee payroll	39.57%	32.47%	33.88%	32.08%	45.34%	46.18%	26.78%	25.28%	23.18%	23.66%

Notes to Schedule:

	2025 - 2020	2019	2018 - 2015
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

2024 Annual money-weighted rate of return, net of investment expense	14.91%
2024 Annual money-weighted rate of return, net of investment expense	11.92%
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%

See notes to required supplementary information

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

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

	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability								
Service cost	\$ 266	\$ 305	\$ 315	\$ 2,758	\$ 1,770	\$ 16,040	\$ 46,052	\$ 55,880
Interest	112,314	114,788	116,742	71,885	69,805	293,503	312,116	320,293
Changes of benefit terms	-	-	-	-	-	-	-	-
Differences between expected and actual experience	(23,700)	276	64,783	645,584	35,241	(291,052)	(189,842)	-
Changes of assumptions	(135,118)	(19,847)	(10,591)	(406,484)	208,564	152,512	258,807	206,841
Benefit payments	(180,721)	(185,457)	(177,907)	(169,277)	(141,551)	(347,590)	(351,812)	(313,342)
Net change in total OPEB liability	(226,959)	(89,935)	(6,658)	144,466	173,829	(176,587)	75,321	269,672
Total OPEB Liability, Beginning	2,781,569	2,871,504	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>\$ 2,554,610</u>	<u>\$ 2,781,569</u>	<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	\$ 133,612	\$ 184,369	\$ 163,033	\$ 208,382	\$ 260,376	\$ 358,720	\$ 460,743	\$ 639,990
Total OPEB Liability as a Percentage of Covered-Employee Payroll	1911.96%	1508.70%	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 4.21% in 2024 to 4.81% in 2025.

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 postemployment 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 Postemployment Benefits Plan - Schedule of Contributions and
Notes to Required Supplementary Information
Fiscal Years Ended June 30

	2025	2024	2023	2022	2021	2020	2019	2018
Contractually determined contribution	\$ 180,721	\$ 185,457	\$ 177,907	\$ 169,277	\$ 141,551	\$ 129,154	\$ 351,812	\$ 313,342
Contributions in relation to the contractually determined contribution	180,721	185,457	177,907	169,277	141,551	129,154	351,812	313,342
Contribution deficiency (excess)	-	-	-	-	-	-	-	-
Covered-employee payroll	\$ 133,612	\$ 184,369	\$ 163,033	\$ 208,382	\$ 260,376	\$ 358,720	\$ 460,743	\$ 639,990
Contributions as a percentage of covered-employee payroll	135.26%	100.59%	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.

	2025-2020	2019-2018
Methods and assumptions used:		
Actuarial cost method	Entry age normal cost method	Entry age normal cost method
Healthcare cost trend rates	6.0% initial, decreasing to an ultimate rate of 5.0%	6.0% initial, decreasing to an ultimate rate of 5.0%
Salary increases	3.0%, average, including inflation	3.0%, 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, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Transportation		
Salaries and wages	\$ 7,136,563	\$ 6,665,177
Fringe benefits, including payroll taxes	5,210,901	5,092,934
Fuel and lubricants	1,232,537	1,276,927
Tires and tubes	88,105	99,153
Materials and supplies	134,598	64,945
Insurance	86,904	99,996
Security	622,898	563,610
Taxes and other miscellaneous	21,847	8,650
	<u>14,534,353</u>	<u>13,871,392</u>
Maintenance		
Salaries and wages	1,880,835	1,857,307
Fringe benefits, including payroll taxes	1,286,970	1,281,908
Contract maintenance services	334,054	296,054
Insurance	518,864	358,938
Materials and supplies	297,857	297,127
Bus parts	775,914	855,139
Other miscellaneous	27,125	-
	<u>5,121,619</u>	<u>4,946,473</u>
General Administration		
Salaries and wages	881,022	820,223
Fringe benefits, including payroll taxes	459,477	1,087,986
Advertising	65,683	173,088
Professional and management fees	753,799	676,731
Contract maintenance services	35,055	51,940
Custodial services	153,761	130,871
Materials and supplies	80,434	95,414
Utilities	516,653	439,420
Insurance	863,362	706,940
Dues and subscriptions	70,190	54,175
Travel and meeting	61,635	57,403
Rail/transportation	751,148	739,255
Other (including alternative analysis)	125,742	166,443
Self-insurance trust activity	(26,668)	(721,477)
	<u>4,791,293</u>	<u>4,478,412</u>
Total operating expenses, excluding depreciation	24,447,265	23,296,277
Actual Pension Contributions in Excess (Deficient) of GASB 68 Pension Expense		
	<u>1,040,753</u>	<u>11,752</u>
Total operating expenses for schedule of operating subsidy	<u>\$ 25,488,018</u>	<u>\$ 23,308,029</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, 2025. 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, 2025.

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.



Madison, Wisconsin
December 29, 2025

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, 2025

Operating Revenues and Income

401	Passenger fares for transit services	\$ 1,397,236
406	Auxiliary revenue	70,394
407	Nontransportation revenue	71,153
414	Federal funds applied to operating expense	<u>4,554,739</u>
	Total operating revenues and income	<u><u>\$ 6,093,522</u></u>

Operating Expenses

501	Labor	\$ 9,898,420
502	Fringe benefits ***	8,006,922
503	Professional services	1,963,030
504	Material and supplies consumed	2,682,439
505	Utilities	516,653
506	Casualty and liability	1,427,320
507	Taxes	6,010
508	Net purchased transportation	751,148
509	Miscellaneous expense	262,744
	Self-insurance trust activity	<u>(26,668)</u>

Total operating expenses \$ 25,488,018

Less ineligible expenses:

APTA and IPTA dues	\$ 4,300
Single Audit	3,000
Self-insurance trust activity	(26,668)
Stateline Mass Transit District settlement	1,471,825
COVID unearned	-
Lobbying and other costs	<u>91,991</u>

Total eligible operating expenses 23,943,570

Total operating revenue and income 6,093,522

Deficit \$ 17,850,048

Percentage of eligible expense* \$ 15,881,297

Maximum contract amount \$ 18,527,717

Eligible downstate operating assistance (Deficit, percentage of eligible expense*, or maximum contract amount, whichever is less) \$ 15,881,297

Downstate operating assistance received 14,241,077

Downstate operating assistance receivable (overpayment) \$ 1,640,220

Downstate operating assistance overpayment received ** \$ 549,128

* For fiscal 2025 65%.

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

*** Within 502 - fringe benefits management has included \$1,750,000 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, 2025, 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 XX, 2025.

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 were not identified. We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2025-001, 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 the response.

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 29, 2025