

CITY OF FREEPORT, ILLINOIS

ILLINOIS DOWNSTATE OPERATING
ASSISTANCE PROGRAM

FOR THE YEAR ENDED
APRIL 30, 2017

**CITY OF FREEPORT, ILLINOIS
ILLINOIS DOWNSTATE OPERATING ASSISTANCE PROGRAM**

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**INDEPENDENT AUDITORS' REPORT
ON ILLINOIS DOWNSTATE OPERATING ASSISTANCE PROGRAM
FINANCIAL STATEMENT**

October 30, 2017

The Honorable Mayor
Members of the City Council
City of Freeport, Illinois

Report on Compliance for Each Major Federal Program

We have audited the accompanying financial statement of the Illinois Downstate Operating Assistance Program of the City of Freeport, Illinois, which comprise the schedule of revenue and expense for the year ended April 30, 2017, and the related notes to the financial statement.

Management Responsibility

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Illinois Department of Transportation Division of Public and Intermodal Transportation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statement that is free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe our audit provides a reasonable basis for our opinion on the financial statement.

Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues and expenses of the Illinois Downstate Operating Assistance Program of the City of Freeport, Illinois, for the year ended April 30, 2017, in accordance with the financial reporting provisions of the Illinois Department of Transportation Division of Public and Intermodal Transportation as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statement, which describes the basis of accounting. The financial statement is prepared on the basis of financial reporting provisions of the Illinois Department of Transportation Division of Public and Intermodal Transportation, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of the Illinois Department of Transportation Division of Public and Intermodal Transportation. Our opinion is not modified with respect to that matter.



LAUTERBACH & AMEN, LLP

Grantee:

CITY OF FREEPORT, FREEPORT, ILLINOIS
SCHEDULE OF REVENUE AND EXPENSE
under DOWNSTATE OPERATING ASSISTANCE GRANT OP- 17 -13-FED
for the Year Ended April 30, 2017
(Page 1 of 2)

Operating Revenues and Income

401	Passenger fares for transit services	<u>\$99,353</u>
402	Special transit fares	<u> </u>
403	School Bus Service	<u> </u>
404	Freight Tariffs	<u> </u>
405	Total charter service revenues	<u> </u>
406	Auxiliary revenue	<u> </u>
407	Non-transportation revenue	<u> </u>
407 .99	Other Non-Transportation Revenue	<u>18,903</u>
409	Local Cash Grants	<u>137,421</u>
411	State cash grants and reimbursement - <i>other than</i> <i>Downstate Operating Assistance</i>	<u> </u>
412	State special fare assistance	<u> </u>
413	Federal cash grants & reimbursement	<u>171,443</u>
413 .99	Sec. 5307 capital funds applied to state eligible op. expenses	<u> </u>
440	Subsidy from other sectors of operations	<u> </u>
	Total Operating Revenues	<u><u>\$427,120</u></u>

Operating Expenses

501	Labor	\$20,662
502	Fringe benefits	1,580
503	Professional services	109,013
504	Materials & supplies consumed	102,270
505	Utilities	3,113
506	Casualty & liability	0
507	Taxes	123
508	Net purchased transportation	976,832
509	Miscellaneous expense	1,475
511	Interest expense	0
512	Leases, rentals, and purchase-lease payments	5,275
	Total Operating Expenses	<u>\$1,220,343</u>

Ineligible Expenses:

APTA and IPTA dues	<u> </u>
Other:	<u> </u>
	<u> </u>
	<u> </u>

Less Total Ineligible Expenses 0

Total Eligible Operating Expenses **\$1,220,343**

CITY OF FREEPORT, FREEPORT, ILLINOIS
SCHEDULE OF REVENUE AND EXPENSE
under DOWNSTATE OPERATING ASSISTANCE GRANT OP- 17 -13-FED
for the Year Ended April 30, 2017
(Page 2 of 2)

Total Eligible Operating Expenses	<u>1,220,343</u>
Total Operating Revenue & Income	<u>427,120</u>
Deficit	<u>793,223</u>
65% of Eligible Expense	<u>793,223</u>
Maximum Contract Amount	<u>1,114,500</u>
FY 17 Eligible Downstate Operating Assistance (Deficit, 65% of eligible expense, or maximum contract amount, whichever is less)	<u>793,223</u>
FY 17 Downstate Operating Assistance Received (prior to close of fiscal year)	<u>502,292</u>
FY 17 Downstate Operating Assistance Receivable (at close of fiscal year and subsequently received)	<u>290,931</u>
FY 17 Downstate Operating Assistance (Over) Under Paid	<u>0</u>

Prepared By: Michelle Richter

Title: Deputy City Accountant

Reviewed by PCOM: Gorant J. Am.

Date: 11-6-17

Reviewed by Grantee:
Authorized Representative [Signature]

Date: 11-6-17

CPA Approval: [Signature] RONALD J. AMEN

Date: 10-30-17

CITY OF FREEPORT, ILLINOIS

Notes to the Financial Statement

April 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the City of Freeport's accounting policies are described below.

BASIS OF PRESENTATION

The financial statement presents comparison between direct expenditures and program revenues for the Illinois Downstate Operating Assistance Program. Direct expenditures are those that are specifically associated with these programs. Program revenues include grants that are restricted to meeting the operational or capital requirements of the programs, and interest earned on grants that is required to be used to support the program.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The financial statement is prepared using the accrual basis of accounting. This means that all revenues earned and expenditures incurred are reported in the financial statement.

NOTE 2 – GRANT AGREEMENTS

DOWNSTATE OPERATING ASSISTANCE GRANT

This agreement is made by and between the State of Illinois, acting by and through the Illinois Department of Transportation, Division of Public and Intermodal Transportation (the "Department"), and the City.

Whereas, the City proposes to provide public transportation services in a downstate area of Illinois (the "Project");

Whereas, the City has made application to the Department under Article II of the Illinois Downstate Public Transportation Act, (30 ILCS 740/2-1 et seq., (the "Act"); the Department's implementing regulations there under (92 Illinois Administrative Code Part 653 (the "Rules")) and the forms included in the Department's current "downstate Public Transportation Operating Assistance Program" (the "Standard Forms"); and the Department has approved the City's application and has certified to the Illinois Department of Revenue the City's boundaries and its eligibility to participate under the Act;

Now therefore, in consideration of the mutual covenants set forth herein, this Agreement is made to provide state operating assistance funds to the City and set forth the terms and conditions of such assistance.

CITY OF FREEPORT, ILLINOIS

Notes to the Financial Statement

April 30, 2017

NOTE 2 – GRANT AGREEMENTS – Continued

DOWNSTATE OPERATING ASSISTANCE GRANT – Continued

Definitions

As used in this Agreement:

- A. “AICPA” means the American Institute of Certified Public Accountants.
- B. “FTA” means the Federal Transit Administration of the United States Department of Transportation, or its successor.
- C. “OMB” means the U.S. Office of Management and Budget.

Project Scope

The City agrees to provide the public transportation services described in its final approved application and program proposed expenditures (“POPE”) approved by the Department, and in accordance with the Act, the Rules, the Standard Forms and all other applicable laws and regulations. The City shall not reduce, terminate, or substantially change such public transportation services or increases fares without prior written notification to the Department.

Project Budget

Under the Act, the Department enters into this Grant Agreement to implement the City’s approved program of expenditures, within the following condition:

The City shall be paid under this agreement sixty-five percent (65%) of the City’s eligible operating expenses incurred during year ended 2016, up to the corresponding identical or minimally different appropriation amount provided by Public Act 97-0731, as per 30 ILCS 740/2-7(b-10) and 30 ILCS 740/2-3(d), as long as there are sufficient funds transferred into the Downstate Public Transportation Fund (30 ILCS 740/2-7(b)), and provided that the amount paid under this Agreement together with any operating assistance received by the City from any other state or local agency for year ended 2016 does not exceed the City’s actual operating deficit for that year.

The Department has approved and agrees to make a grant in the maximum amount of \$1,114,500, subject to the limitations set forth above, the Act and the Rules.

In the event that the City receives an amount in excess of the amount provided to be paid to the City, or the combined state and local operating assistance grants for year ended 2017 exceed the City’s actual operating deficit for that year, the City agrees to remit to the State any excess funds received.

CITY OF FREEPORT, ILLINOIS

**Notes to the Financial Statement
April 30, 2017**

NOTE 2 – GRANT AGREEMENTS – Continued

DOWNSTATE OPERATING ASSISTANCE GRANT – Continued

Project Budget – Continued

For purposes of this Agreement, the term “operating deficit” shall have the following meaning set forth in Section 2-2.03 of the Act (30 ILCS 740/2-2.03): “the amount by which eligible operating expenses exceed revenue from fares, reduced fare reimbursements, rental of properties, advertising, and any other amounts collected and received by a provider of public transportation, which, under standard accounting practices, are properly classified as operating revenue or operating income attributable to providing public transportation and revenue from any federal financial assistance received by the participant to defray operating expenses or deficits. For purposes of determining operating deficits, local effort from local taxes or its equivalent shall not be included as operating revenue or operating income.

The City agrees to commit the necessary local funding to cover costs incurred in providing public transportation which are not reimbursed under this Agreement or by other federal, state or local assistance programs.

NOTE 3 – CONTINGENCIES

The Downstate Operating Assistance Grant Program is created from funding from a state grant which is governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant program are subject to audit and adjustment by the granting agencies. Any disallowed claims resulting from such audits could become a liability of the City. In the opinion of the City, any such disallowed claims will not have a material adverse effect on the overall financial position of the City.

NOTE 4 – SUBSEQUENT EVENT

As of April 30, 2017, the City was due \$290,931 from the Illinois Department of Transportation for the Illinois Downstate Operating Assistance Program for the year ended April 30, 2017. The financial statement reports the entire grant contract as receivable.