

Independent Auditor's Report

Board of Directors
CRIS Rural Mass Transit District
Danville, Illinois

We have audited the accompanying basic financial statements of CRIS Rural Mass Transit District as of and for the period from inception (October 1, 2010) to June 30, 2011 which collectively comprise CRIS Rural Mass Transit District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CRIS Rural Mass Transit District as of June 30, 2011 and the changes in its financial position and its cash flows for the initial period then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 21, 2011 on our consideration of CRIS Rural Mass Transit District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 7 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The supplemental information 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 for the period October 1, 2010 to June 30, 2011 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The supplemental information also includes information for the period July 1, 2010 to September 30, 2010, which was subjected to auditing procedures applied in the audit of CRIS Healthy Aging for the year ended September 30, 2010 and, in our opinion, is fairly stated in relation the those statements taken as a whole.

Clifton Gunderson LLP

Danville, Illinois
November 21, 2011

CRIS RURAL MASS TRANSIT DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of CRIS Rural Mass Transit District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the period October 1, 2010 to June 30, 2011.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at June 30, 2011 by \$16,907.
- Total assets of the District at June 30, 2011 were \$374,002 which includes cash, cash equivalents, and receivables of \$361,174, property and equipment of \$7,703, and prepaid assets of \$5,125.
- The net assets of the District increased \$16,907 from October 1, 2010 to June 30, 2011.
- The District does not carry any debt.
- Total operating revenues for the period ended June 30, 2011 were \$258,156.
- Total non-operating revenues for the period ended June 30, 2011 were \$583,842.
- Total operating expenses for the period ended June 30, 2011 were \$825,091.

OVERVIEW OF FINANCIAL STATEMENTS

This report includes this management's discussion and analysis, the independent auditor's report and the basic financial statements of the District. The financial statements also include notes that explain in more detail some of the information in the financial statements. These statements also contain other supplemental information in addition to the basic financial statements themselves.

CRIS Rural Mass Transit District's discussion and analysis is designed to (1) assist the reader in focusing on significant financial issues, (2) provide an overview of the District's financial activity, (3) identify changes in the District's financial position (its ability to address the next and subsequent year challenges), and (4) identify any material deviations from the financial plan (the approved budget). Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of CRIS Rural Mass Transit District is improving or deteriorating.

Since the Management's Discussion and Analysis (MD & A) is designed to focus on current activities, resulting changes and currently known facts, please read it in conjunction with the District's Financial Statements (accompanying documents).

Included in the accompanying financial statements are all accounts of CRIS Rural Mass Transit District. For accounting purposes, the District is an enterprise fund.

REQUIRED FINANCIAL STATEMENTS

The financial statements of the District report information of the District using accounting methods similar to those used by private sector companies. These statements offer both short-term and long-term financial information about the District's overall financial status.

There are three basic financial statements for proprietary/enterprise funds: the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows.

The Statement of Net Assets includes all of the District's assets and liabilities. This statement provides a way to measure the financial health of the District by providing the basis for evaluating the capital structure of the District and assessing the liquidity and the financial flexibility of the District.

All of the current year's revenue and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Assets. This statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all its costs through its user fees and grants and its credit worthiness.

The final required financial statement is the Statement of Cash Flows. The statement demonstrates that there are sufficient cash flows to meet the District's obligations in a timely manner and the change in the cash balance during the reporting period. The reconciliation summarizes the reasons why cash from operating activities is different from operating income.

FINANCIAL ANALYSIS OF THE DISTRICT

Net Assets

As previously noted, net assets may serve over time as a useful indicator of an entity's financial position. In the case of the District, assets exceeded liabilities by \$16,907 at June 30, 2011.

As can be seen in the following Condensed Statement of Net Assets, since the District carries no debt at this time, net assets reflects its investment in capital assets (e.g. land, buildings, machinery and equipment) plus cash and receivables. The District uses these capital assets to provide transportation services. The capital assets themselves are not intended to be used to liquidate liabilities. Consequently, these assets are not available for future spending.

Condensed Statement of Net Assets

Current assets	\$ 366,299
Capital assets	7,703
Total assets	<u>\$ 374,002</u>
Current liabilities	\$ 357,095
Long-term debt outstanding	-
Total liabilities	<u>\$ 357,095</u>

FINANCIAL ANALYSIS OF THE DISTRICT (CONTINUED)

Net Assets (Continued)

Net assets:	
Invested in capital assets	\$ 7,703
Unrestricted	<u>9,204</u>
Total net assets	<u>\$ 16,907</u>

The following table summarizes the revenues, expenses, and changes in assets for the period ended 2011.

Condensed Statement of Revenues, Expenses, and Changes in Net Assets

	October 1, 2010 to <u>June 30, 2011</u>
Operating revenue	\$ 258,156
Nonoperating revenue	<u>583,842</u>
Total revenues	<u>841,998</u>
Depreciation expense	520
Other operating expense	<u>824,571</u>
Total expenses	<u>825,091</u>
Change in net assets	16,907
Beginning net assets	<u>-</u>
Ending net assets	<u>\$ 16,907</u>

The following two tables further detail revenues and expenses.

REVENUES BY SOURCE

	October 1, 2010 to <u>June 30, 2011</u>	
	<u>Actual</u>	<u>% of</u>
	<u>Amount</u>	<u>Total</u>
Operating revenues		
Charges for services	\$ 257,877	99.9%
Other	<u>279</u>	<u>00.1%</u>
Total operating revenues	<u>258,156</u>	<u>100.0%</u>

October 1, 2010
to
June 30, 2011

	<u>Actual Amount</u>	<u>% of Total</u>
Nonoperating revenues		
IDOT operating assistance grants	\$ 510,639	87.5%
Other grants	<u>73,203</u>	<u>12.5%</u>
Total nonoperating revenues	<u>583,842</u>	<u>100.0%</u>
Total revenues	<u>\$ 841,998</u>	<u>100.0%</u>

EXPENSES

Operating expenses		
Administrative	\$ 95,457	11.6%
Operations and maintenance	729,114	88.3%
Depreciation	<u>520</u>	<u>.1%</u>
Total operating expenses	<u>\$ 825,091</u>	<u>100.0%</u>

Debt Administration

The District currently does not have any outstanding debt.

BUDGETARY HIGHLIGHTS

The District adopts an annual combined budget outlining the estimated revenues and expenditures to be considered by the District's Board of Directors. The District's budget remains in effect the entire year and is only revised when unexpected expenditures occur.

In period ended June 30, 2011, the District's actual revenues exceeded actual expenses by \$16,907. District expenses were under budget by \$45,545 and revenues were under budget by \$1,423.

CAPITAL ASSETS

As of June 30, 2011, the District's investment in capital assets amounted to \$7,703 (net of accumulated depreciation) as shown in the Capital Asset table below.

Office equipment	\$	8,223
Less accumulated depreciation		<u>520</u>
Net capital assets	\$	<u>7,703</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The number of customers as of June 30, 2011 was 776.
- Staffing at the District is projected to remain at current levels.

All of these factors were taken into consideration when preparing the District's budget.

The District approved a \$1,597,648 fiscal year 2011 operating budget. The budgeted deficit is \$-0-.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: CRIS Rural Mass Transit District, Attn: Amy Marchant, CEO.

CRIS RURAL MASS TRANSIT DISTRICT
STATEMENT OF NET ASSETS
June 30, 2011

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	60,594
Receivables		300,580
Prepaid expenses		<u>5,125</u>
 Total current assets		 <u>366,299</u>

EQUIPMENT

Office equipment		8,223
Less accumulated depreciation		<u>(520)</u>
 Total equipment		 <u>7,703</u>

TOTAL ASSETS	\$	<u>374,002</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$	50,647
Other accrued liabilities		35,398
Due to related party		<u>271,050</u>
 Total current liabilities		 <u>357,095</u>

NET ASSETS

Invested in capital assets, net of related debt		7,703
Unrestricted		<u>9,204</u>
 Total net assets		 <u>16,907</u>

TOTAL LIABILITIES AND NET ASSETS	\$	<u>374,002</u>
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The accompanying notes are an integral part of the financial statements.

CRIS RURAL MASS TRANSIT DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Period Ended June 30, 2011

OPERATING REVENUES	
Charges for services	\$ 257,877
Miscellaneous	<u>279</u>
Total operating revenues	<u>258,156</u>
 OPERATING EXPENSES	
Administrative	95,457
Operation and maintenance	729,114
Depreciation	<u>520</u>
Total operating expenses	<u>825,091</u>
Net loss from operating activities	<u>(566,935)</u>
 NON-OPERATING REVENUES	
IDOT operating assistance grants	510,639
Other grants	<u>73,203</u>
Total non-operating revenues	<u>583,842</u>
 CHANGE IN NET ASSETS	 16,907
 NET ASSETS, OCTOBER 1, 2010	 <u>-</u>
 NET ASSETS, JUNE 30, 2011	 <u>\$ 16,907</u>

The accompanying notes are an integral part of the financial statements.

CRIS RURAL MASS TRANSIT DISTRICT
STATEMENT OF CASH FLOWS
Period Ended June 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 257,877
Cash paid to vendors	(350,259)
Cash paid to employees	(393,392)
Cash received from others	<u>279</u>
Net cash used in operating activities	<u>(485,495)</u>
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Cash received from related party	271,050
Grant proceeds received	<u>283,262</u>
Net cash provided by noncapital financing activities	<u>554,312</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of equipment	<u>(8,223)</u>
 NET INCREASE IN CASH AND CASH EQUIVALENTS	 60,594
 CASH AND CASH EQUIVALENTS AT OCTOBER 1, 2010	 <u>-</u>
 CASH AND CASH EQUIVALENTS AT JUNE 30, 2011	 <u>\$ 60,594</u>
 RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:	
Operating loss	\$ (566,935)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	520
Effects of changes in operating assets and liabilities:	
Prepaid expense	(5,125)
Accounts payable and accrued liabilities	<u>86,045</u>
 NET CASH USED IN OPERATING ACTIVITIES	 <u>\$ (485,495)</u>

The accompanying notes are an integral part of the financial statements.

**CRIS RURAL MASS TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The CRIS Rural Mass Transit District's (the District) principal line of business is transportation services for residential customers in Vermilion and Champaign counties. The District uses transportation vehicles owned by Vermilion County and Champaign County. Both County's contract with the District to provide the transportation services. The primary revenue source of the District is grant funding through Illinois Department of Transportation and user charges. The accounting policies of CRIS Rural Mass Transit District conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

The District reports are based on all applicable Governmental Accounting Standards Board (GASB) pronouncements, as well as applicable Financial Accounting Standards Board (FASB) Statements of Interpretations, Accounting Principles Board Opinions, and Accounting Review Board pronouncements of the Committee on Accounting Procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles require 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.

Principles Used to Determine Reporting Entity

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

The District is not aware of any organization for which the District is financially accountable.

The District is not aware of any entity which would be financially accountable to the District to the extent that they would be considered a component unit of the entity.

CRIS RURAL MASS TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Basis of Presentation

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements.

The District operates as an enterprise fund. Enterprise funds are accounted for on a flow of economic resources measurement focus using the accrual basis of accounting in accordance with generally accepted accounting principles. Revenues are recognized when they are earned, and expenses are recorded at the time liabilities are incurred.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with its principal ongoing operations. Operating expenses include the costs of providing the services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting the definition are reported as nonoperating revenues and expenses.

Cash and Cash Equivalents

The District considers all liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Receivables

The District receives support from various state, federal, and local agencies in the form of grants, contributions and fees for service arrangements. These receivable amounts are not collateralized or secured and are considered to be fully collectible.

**CRIS RURAL MASS TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Depreciation in enterprise funds is charged as an expense against its operations. Depreciation has been provided on a straight-line basis over the respective useful lives of the equipment, which range from 5 to 7 years. The District uses a capitalization threshold of \$300. Equipment is recorded at cost, net of accumulated depreciation.

Impairment of Long-Lived Assets

The District reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell.

Compensated Absences

In accordance with the generally accepted accounting principles, no liability is recorded for non-vesting rights to receive personal day benefits. A liability for vacation days is recorded as the employee's right to vacation days accumulates. The unused vacation days do not expire but are limited on an annual basis by the board of directors. The District considers the liability for accrued compensated absences to be entirely a current liability.

Revenues

Charges for services are recognized as revenue based on the transportation services provided. Income from funding sources is recognized as grant revenue over the period of the grant and as the grant is earned.

**CRIS RURAL MASS TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 2 - RECEIVABLES

Receivables are summarized as follows:

IDOT DOAP Funds	\$ 185,561
IDOT 5311	65,860
JARC	14,501
DMT Runaround	10,521
ECIAAA	6,125
Crosspoint	7,848
Worksource	5,868
Other	<u>4,296</u>
Total	<u>\$ 300,580</u>

NOTE 3 - CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the period October 1, 2010 to June 30, 2011 follows:

	<u>Balance 10/1/10</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/11</u>
Office equipment	\$ -	\$ 8,223	\$ -	\$ 8,223
Less accumulated depreciation	<u>-</u>	<u>(520)</u>	<u>-</u>	<u>(520)</u>
Total	<u>\$ -</u>	<u>\$ 7,703</u>	<u>\$ -</u>	<u>\$ 7,703</u>

NOTE 4 - RELATED PARTIES

CRIS Healthy Aging Center is a related party to the District due to common board members. The District operates within the same building in Vermilion County and uses the same accounting and administrative staff. During the start-up phase of the District, funds were borrowed from CRIS Healthy Aging for services and expenses already incurred but not yet reimbursed by various funding agencies. Funds borrowed were drawn from the CRIS Healthy Aging line of credit at a local bank. The amount due to CRIS Healthy Aging Center will be paid back upon receipt of funds by the District. Total due to CRIS Healthy Aging as of June 30, 2011 was \$271,050.

**CRIS RURAL MASS TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 5 - LEASE COMMITMENTS

The District entered into a lease agreement on March 31, 2011 for a copier, which expires March 31, 2016. The monthly lease payments are \$147. Future minimum lease payments under this lease as of June 30, 2011 are as follows, by fiscal year:

2012	\$ 1,764
2013	1,764
2014	1,764
2015	1,764
2016	<u>1,323</u>
Total	<u>\$ 8,379</u>

The District has entered into a lease agreement for the building and vehicle parking space, which expires February 28, 2016. The lease commenced on March 1, 2011. The monthly lease payments are \$1,166 and \$552 for office space and vehicle parking, respectively.

Future minimum lease payments under this lease are as follows, by fiscal year:

2012	\$ 20,616
2013	20,616
2014	20,616
2015	20,616
2016	<u>13,744</u>
Total	<u>\$ 96,208</u>

The District entered into an additional lease agreement on April 1, 2011 for office space with CRIS Healthy Aging Center, a related party. Monthly lease payments are \$825.

Total rent expense was \$47,411 for period ended June 30, 2011.

NOTE 6 - SIMPLE IRA PLAN

The District sponsors a Simple IRA Retirement Plan. The plan began on October 1, 2010 and is available to all full-time employees on October 1 after one full year of full-time employment. Certain employees that were formally employed by CRIS Healthy Aging Center were grandfathered into the plan and immediately began receiving benefits. Part-time employees earning at least \$5,000 per year become eligible to participate in the program on October 1, following one full year of employment. The District matches employee contributions up to 3% of an employee's annual salary. The District made contributions to the plan totaling \$187 in 2011.

CRIS RURAL MASS TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 7 - SUBSEQUENT EVENTS

Management evaluated subsequent events through November 21, 2011, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2011, but prior to November 21, 2011 that provided additional evidence about conditions that existed at June 30, 2011, have been recognized in the financial statements for the year ended June 30, 2011. Events or transactions that provided evidence about conditions that did not exist at June 30, 2011 but arose before the financial statements were available to be issued have not been recognized in the financial statements for the year ended June 30, 2011.

This information is an integral part of the accompanying financial statements.