**Section 650.170 Financial Statement**

An applicant may obtain a financial rating in either an audited or unaudited status. Audited financial information provides the Prequalification Section with reliable information, whereas unaudited financial information is subject to certain restrictions as provided for in subsection (c) of this Section.

a) Audited Status

The Department will require all applicants seeking an audited status to adhere to the following:

1) An applicant shall submit the Department's "Certificate of Accountant" with the completed financial statement. An Independent Auditor's Opinion Letter is acceptable in lieu of the Certificate of Accountant, if the applicant desires to submit only the balance sheet, auditor's notes, and an income statement.

2) All data shall be secured from an audit conducted no more than 12 months prior to the time the financial statement is received by the Department.

3) Financial statements which are only compiled or reviewed by a CPA are not accepted for prequalification in an audited status.

4) The audit of the applicant's records shall be conducted in accordance with generally accepted accounting standards.

5) The financial statement shall be prepared by a Certified Public Accountant (CPA) who has been licensed by the Illinois Department of Financial and Professional Regulation or an out-of-state CPA who has been issued a license by that state. A financial statement will be considered unaudited if prepared by a non-licensed CPA.

6) No certified financial statement will be accepted that has been prepared by an accountant who has a direct or indirect interest, financial or otherwise, in the business of the applicant submitting the statement.

7) The applicant shall submit a report prepared by the CPA who conducted the audit if the Department's Certificate of Accountant is not submitted. The report shall contain the following information:

A) name, address, and telephone number of the accounting firm involved with the audit;

B) the license number, state of license, expiration date of license and signature of the CPA conducting the audit;

C) the date of audit;

D) the degree of responsibility assumed by the CPA; and

E) the accountant's opinion (see subsection (b) of this Section).

b) Opinion of Certified Public Accountant

An auditor's or CPA's opinion is a report that either contains an expression of opinion regarding the financial statements, taken as a whole, or an assertion to the effect that an overall opinion cannot be expressed. When the latter occurs, the CPA should state the reasons. There are several types of opinions a CPA can issue:

1) Unqualified opinion − an opinion which contains no exceptions and conveys the CPA's belief that the financial statement presents a fair and accurate statement of the applicant's financial position. An unqualified opinion is the most desirable because it allows the applicant to obtain audited status. Additionally, the unqualified opinion enables the Department to accept the applicant's financial statement with the confidence that the audit was conducted in accordance with generally accepted auditing standards; that the CPA acquired all the information necessary to render an informed opinion; and, that the same accounting principles were used as those used in the preceding year.

2) Qualified opinion − an opinion which contains an exception. An exception indicates that the CPA is not in agreement with a certain accounting principle. When a qualified opinion is in order, the CPA shall express the reasons for the qualification, the approximate amount involved, and the overall effect on the financial statement. Depending on the impact of these three factors, the Department may or may not accept the opinion for prequalification purposes. If the Department chooses not to accept the opinion, the applicant's financial statement will preclude prequalification in an audited status.

3) Adverse opinion − an opinion expressing the CPA's belief that the applicant's financial statement does not present a fair and accurate statement of the applicant's financial position. Pursuant to the rendering of an adverse opinion, the CPA shall disclose all substantive reasons for issuing such an opinion in his report. The Department shall view the applicant's financial statement as unaudited, thereby precluding prequalification in an audited status.

4) Disclaimer of opinion − a report used when a CPA believes an opinion cannot be expressed. Pursuant to the rendering of a disclaimer, the CPA shall present the reasons for refusing to express an opinion, such as client imposed restrictions. The Department shall view the applicant's financial statement as precluding prequalification in an audited status.

c) Unaudited Status

The Department will require all applicants seeking an unaudited status to adhere to the following:

1) The financial rating in the unaudited status is determined subject to the following limitations:

A) the applicant's financial rating shall be limited to no more than $750,000 when a balance sheet is prepared and submitted by the applicant; or

B) the applicant's financial rating shall be limited to no more than $1,500,000 when a reviewed or compiled financial statement including an opinion letter, balance sheet, accountant's notes to financial statement, and income statement is prepared by an accountant and submitted by the applicant.

2) The financial statement shall be prepared by either the applicant or an accountant. It is not necessary that the statement be prepared and certified by a licensed accountant. The financial statement:

A) must be prepared from data secured from the applicant's records;

B) must not be more than 12 months old at the time of receipt by the Department;

C) must be completed and in balance; and

D) the financial information release must be completed and submitted by the applicant's financial institution to verify account balances.

d) Interest in Other Firms

1) Any parent and all affiliates or subsidiaries of the applicant shall be identified.

2) If an individual, a member of a partnership, or an officer or director of a corporation is interested financially in more than one company, the accountant shall submit a letter explaining such interest, the extent of the investment, and the individual's relationship with such companies. The Department may require these individuals to furnish financial statements from these companies as of the same date as the financial statement submitted by the applicant requesting prequalification.

3) Each applicant shall disclose, in the application for prequalification, the name of each owner, shareholder, partner, member, beneficiary or any other person expected to have a direct pecuniary interest in a contract awarded by the Department who holds an elective office in the State of Illinois; who is appointed to or employed in any office or agency of State government; or who is the spouse or minor child of any such person. If the company is a corporation, the name of all the officers and directors and their respective positions shall be disclosed.

(Source: Amended at 36 Ill. Reg. 1775, effective January 19, 2012)