

CITY OF NAPERVILLE, ILLINOIS

SINGLE AUDIT REPORT

For the Eight Months Ended
December 31, 2015



CITY OF NAPERVILLE, ILLINOIS
TABLE OF CONTENTS

	<u>Page(s)</u>
Independent Auditor’s 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>	1-2
Independent Auditor’s Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards required by Uniform Guidance	3-5
Schedule of Expenditures of Federal Awards.....	6
Schedule of Findings and Questioned Costs.....	7-8



1415 W. Diehl Road, Suite 400
Naperville, Illinois 60563

Certified Public Accountants & Advisors
Members of American Institute of Certified Public Accountants

**INDEPENDENT AUDITORS' 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***

The Mayor and City Council
City of Naperville, Illinois

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, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Naperville, Illinois (the City), as of and for the eight months ended December 31, 2015, and the related notes to financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 15, 2016. Our report includes a reference to other auditors who audited the financial statements of the Firefighters' Pension Fund, as described in our report on City of Naperville, Illinois' financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Naperville, Illinois' internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 significant deficiencies or material weaknesses, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned cost as finding 2015-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Naperville, Illinois' basic financial statements are free of 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 determination of basic financial statement amounts. 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2015-001.

City's Response to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of the 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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sikich LLP

Naperville, Illinois
November 15, 2016



1415 W. Diehl Road, Suite 400
Naperville, Illinois 60563

Certified Public Accountants & Advisors
Members of American Institute of Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL
OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

The Mayor and City Council
City of Naperville, Illinois

Report on Compliance for Each Major Federal Program

We have audited the City of Naperville, Illinois' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the eight months ended December 31, 2015. The City of Naperville, Illinois' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion compliance for each of the City of Naperville, Illinois' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Naperville, Illinois' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the City of Naperville, Illinois' compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Naperville, Illinois' complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the eight months ended December 31, 2015.

Report on Internal Control Over Compliance

Management of the City of Naperville, Illinois is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the City of Naperville, Illinois' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance 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, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Naperville, Illinois as of and for the eight months ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City of Naperville, Illinois' basic financial statements. We issued our report thereon dated November 15, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by the Uniform Guidance 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 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Sikich LLP

Naperville, Illinois
November 15, 2016

CITY OF NAPERVILLE, ILLINOIS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Eight Months Ended December 31, 2015

Federal Grantor	Pass-Through Grantor	Grant Name	Federal CFDA#	Grant Number	Revenues	Expenditures
Department of Housing and Urban Development	N/A	Community Development Block Grant Program	14.218*	B-14-MY-17-0031	\$ 383,517	\$ 383,517
		Community Development Block Grant Program	14.218*	B-15-MY-17-0031	71,898	71,898
				<u>455,415</u>	<u>455,415</u>	
Department of Homeland Security	N/A	Assistance to Firefighters Grant	97.044	EMW-2013-FO-02892	21,436	21,436
		Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2013-FH-00317	302,825	302,825
		Emergency Management Performance Grants	97.042	EMPG-2015	42,707	42,707
		Police Secret Service Account	97.000	N/A	3,945	3,945
Department of Justice	IL Criminal Justice Information Authority	Drug Forfeiture Grant	16.579	N/A	161,292	161,292
	N/A	Federal Asset Forfeitures	16.579	N/A	54,648	54,648
					<u>215,940</u>	<u>215,940</u>
	N/A	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2014-DJ-BX-0496	5,111	5,111
Department of Transportation	Regional Transportation Authority	Section 5310 Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	IL-16-X008	<u>116,415</u>	<u>116,415</u>
TOTAL ALL FEDERAL AWARDS					<u>\$ 1,163,794</u>	<u>\$ 1,163,794</u>

Notes to Schedule of Expenditures of Federal Awards

* Denotes major program

Note A - The accompanying schedule of expenditures of federal awards is a summary of the activity of the City's federal award programs presented on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Accordingly, revenues are recognized when the qualifying expenditure has been incurred and expenditures have been recognized when the fund liability has been incurred.

Note B - Of the federal expenditures presented in this schedule, the City provided federal awards to subrecipients under CFDA# 14.218 in the amount of \$420,482.

Note C - The City did not receive any federal insurance or non-cash assistance. The City also did not have any federal loans or loan guarantees.

Note D - The City did not elect to use the federal 10% de minimus indirect cost rate for the eight months ended December 31, 2015.

CITY OF NAPERVILLE, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Eight Months Ended December 31, 2015

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: *unmodified*

Internal control over financial reporting:
Material weakness(es) identified? yes no
Significant deficiency(ies) identified? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal Control over major federal programs:
Material weakness(es) identified? yes no
Significant deficiency(ies) identified? yes none reported

Type of auditor's report issued on compliance for major federal programs: *unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes no

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grant

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? yes no

CITY OF NAPERVILLE, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Eight Months Ended December 31, 2015

Section II - Financial Statement Findings

2015-001: BANK RECONCILIATIONS

<u>Criteria</u>	The City is responsible for maintaining a system of internal controls over the preparation of financial statements. Monthly and year-end financial statements should be prepared in a timely manner and should be free of material errors. As part of this process, all cash transactions should be posted to the general ledger in a timely manner and bank reconciliations should be completed timely and accurately.
<u>Condition/Context</u>	During our audit of the financial statements, we noted that the City's main operating account was not fully reconciled until after the trial balance was provided to the auditors. A significant number of journal entries were proposed by management to record cash transactions and reconcile the operating account to the general ledger.
<u>Effect</u>	Significant adjustments were proposed by management to reconcile cash to the City's general ledger. The City's unadjusted trial balances and financial statements were not free of material misstatement.
<u>Cause</u>	Bank reconciliations were not performed in a timely manner.
<u>Recommendation</u>	We recommend that the City reconcile cash in a timely manner each month. All cash transaction should be posted to the general ledger in a timely manner and bank reconciliations should be free from material unreconciled differences.
<u>Corrective Action Plan</u>	As of April 1, 2016, management implemented a process whereas the City's Accountant is required to complete the monthly bank reconciliation within 30 days of the close of each month. Additionally, a secondary review is to be performed by the Finance Director or her designee to ensure accuracy and completeness.

Section III - Federal Award Findings and Questioned Costs

None

Section IV - Prior Year Audit Findings

None