

Village of Rantoul, Illinois

SINGLE AUDIT REPORT

Year Ended April 30, 2018

Village of Rantoul, Illinois

SINGLE AUDIT
Year Ended April 30, 2018

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**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 GOVERNMENT AUDITING STANDARDS**

To the Honorable President and
Members of the Village Board
Village of Rantoul, 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 Village of Rantoul (the "Village") as of and for the year ended April 30, 2018, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements, and have issued our report thereon dated October 31, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting ("internal control") 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 Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village'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 did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2018-001 and 2018-002 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's 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 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Village's Response to the Findings

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

Purpose of this Report

The purpose of this 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 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.


Crowe LLP

Oak Brook, Illinois
October 31, 2018

**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**

To the Honorable President and
Members of the Village Board
Village of Rantoul, Illinois

Report on Compliance for Each Major Federal Program

We have audited the Village of Rantoul, Illinois' (the Village) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Village's major federal programs for the year ended April 30, 2018. The Village's 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 on compliance for each of the Village's 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 Village's 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 of the Village's compliance.

Opinion on Each Major Federal Program

In our opinion, the Village 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 year ended April 30, 2018.

Report on Internal Control Over Compliance

Management of the Village 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 of compliance, we considered the Village's 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 the 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 Village's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance 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 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 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 material weaknesses or significant deficiencies. 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 the Village as of and for the year ended April 30, 2018, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements. We issued our report thereon dated October 31, 2018, 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 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 expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.


Crowe LLP

Oak Brook, Illinois
October 31, 2018

Village of Rantoul, Illinois
Schedule of Expenditures of Federal Awards
Year Ended April 30, 2018

<u>Federal Grantor/Pass-Through Grantor, Program Title and Major Program Designation</u>	<u>CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>	<u>Amounts to Subrecipients</u>
U.S. Department of Housing and Urban Development:				
Direct				
Community Development Block Grants	14.218	N/A	\$ 182,746	\$ 43,987
Total U.S. Department of Housing and Urban Development:			<u>182,746</u>	<u>43,987</u>
U.S. Department of Commerce:				
Direct				
EDA Revolving Loan Program (M)	11.307	N/A	1,301,933	-
Total U.S. Department of Commerce			<u>1,301,933</u>	<u>-</u>
U.S. Department of Transportation :				
Passed through the Illinois Department of Transportation				
Highway Planning & Construction (Bike Path)	20.205	TE-00D5(114)	49,901	-
Total U.S. Department of Transportation			<u>49,901</u>	<u>-</u>
U.S. Department of Justice:				
Direct				
Bulletproof Vest Partnership Program	16.607	N/A	1,197	-
Total U.S. Department of Justice			<u>1,197</u>	<u>-</u>
U.S. Department of Agriculture:				
Direct				
Rural Business and Cooperative Service Grant	10.351	N/A	37,449	-
Passed through Illinois State Board of Education				
Child and Adult Care Food Program	10.558	2016- 4225-00	12,923	-
Total U.S. Department of Agriculture			<u>50,372</u>	<u>-</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,586,149</u>	<u>\$ 43,987</u>

(M) Program was audited as a major program as defined by the Uniform Guidance.

Village of Rantoul, Illinois
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED APRIL 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation:

The accompanying Schedule of Expenditures of Federal Awards ("Schedule") includes the federal award activity of the Village of Rantoul, Illinois ("Village") under programs of the federal government for the year ended April 30, 2018. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of the Village, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Village.

Basis of Accounting and Cost Principles:

Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State and Local Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

De Minimis Cost Rate:

The Village has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Subrecipients:

Of the federal expenditures presented in the schedule, the Village provided federal awards to the following subrecipients totaling \$43,987:

<u>Grant</u>	<u>Subrecipient</u>	<u>Amount</u>
Community Development Block Grants (14.218)	Prairie Center Health Systems, Inc.	\$9,075
	Champaign County Regional Planning Commission	13,200
	Family Service of Champaign County	2,289
	Promise Healthcare	5,463
	Crisis Nursery	7,057
	Big Brothers Big Sisters	4,600
	Rosecrance Inc.	2,303

Noncash Awards:

The Village did not receive non-cash assistance during the fiscal year.

Insurance in Force:

There was no insurance in force during the fiscal year provided by a federal agency.

Village of Rantoul, Illinois
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED APRIL 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loans:

The following is a schedule of loans outstanding at year-end.

<u>Loan</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Retired</u>	<u>Ending Balance</u>
EDA RLF Loans	\$ 715,893	\$ 213,796	\$ 76,006	\$ 853,683
	<u>\$ 715,893</u>	<u>\$ 213,796</u>	<u>\$ 76,006</u>	<u>\$ 853,683</u>

NOTE 2 – EDA REVOLVING LOAN PROGRAM

EDA Revolving Loan Program (CFDA 11.307) represents cash, securities and loans outstanding that are 75% funded by the United States Department of Commerce during the year ended April 30, 2018. The total outstanding loan balances for the program are disclosed in Note 1. Total cash and securities on hand were \$325,334 and \$556,893, respectively.

Village of Rantoul, Illinois
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED APRIL 30, 2018

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 deficiencies identified not considered to be material weaknesses? Yes None Reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal Control over major programs:

Material weakness(es) identified? Yes No

Significant deficiencies identified not considered to be material weaknesses? Yes None Reported

Type of auditor's report issued on compliance for major program: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) Yes No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
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11.307 Economic Adjustment Assistance

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

Auditee qualified as low-risk auditee? Yes No

Village of Rantoul, Illinois
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED APRIL 30, 2018

Section II – Financial Statement Findings

Finding 2018-001: Internal Controls over Financial Reporting

Criteria: The financial statements and schedule of expenditures of federal awards should be free of material misstatements.

Condition: We have assisted the Village in the preparation of the annual financial statements, as we have in past years. The preparation of Generally Accepted Accounting Principles (GAAP) financials statements and the note disclosures is a time consuming activity and requires an individual to remain current with all new reporting pronouncements issued by the Government Accounting Standards Board (GASB). It is management's responsibility to have internal controls in place, including proper segregation of duties for manual journal entries and the cash disbursement function, to provide appropriate and reliable financial reports and to select and apply appropriate accounting principles. The financial statements used internally by the Village are not prepared in a manner consistent with the annual audited financial report.

We assisted the Village staff in preparing adjustments to various account balances to present the financial position and activities of the Village in the annual audited financial statements in accordance with generally accepted accounting principles. Examples of the adjustments made include reclassifying principal payments on enterprise fund related bonds from expenditures to reduction of long-term debt, computing the accounts receivable and deferred revenue balances as of April 30, 2018 for property tax revenue and other state tax revenues, and calculation of interest payable and prepaid insurance. We also noted the Village does not have proper segregation of duties within the manual journal entry process. Under auditing standards, these conditions are considered to be a material weakness.

Context: Auditing standards require management to have internal controls in place to provide appropriate and reliable financial reports and to select and apply appropriate accounting principles.

Effect: If material weaknesses exist in the controls over financial reporting, management will not have accurate data to utilize as part of their business decisions process. In addition, inaccurate financial data may be shared with outside users.

Cause: We have assisted the Village in the preparation of the annual financial statements and schedule of expenditures of federal awards, as we have in past years.

Recommendation: If you would like to discuss various options (training, tools, restructuring) to help improve the Village's internal controls over the financial reporting process, we are prepared to assist you in preparing a viable plan. The Village should evaluate the cost-benefit of implementing controls to eliminate this material weakness.

Management's Response: The auditors have always assisted in the preparation of year end adjusting entries and the annual financial statements. Based on auditing standards we agree this is considered a material weakness. With the current accounting staff, it would be difficult to keep current with all of the accounting and auditing requirements that change annually. We will continue to work with the auditors to increase the Village's involvement in the annual financial statement preparation in order to help improve our internal controls in this area. As with other internal control issues, there are cost-benefit issues that need to be considered when evaluating possible changes to internal controls.

Village of Rantoul, Illinois
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED APRIL 30, 2018

Section II – Financial Statement Findings (Continued)

Finding 2018-002: Internal Controls over Cash Receipts and Reconciliation

Criteria: The Village should have internal controls in place to sufficiently reduce the risk of misappropriation of cash.

Condition: Cash is not reconciled daily, and monthly reconciliations are not prepared and reviewed by separate individuals.

Context: Cash collections were not reconciled daily and monthly reconciliations were not prepared and reviewed by separate individuals.

Effect: A lack of internal controls over cash receipts and monthly reconciliations increases the risk of error or cash misappropriation.

Cause: The design of the control structure over cash was not sufficient.

Recommendation: We recommend that the Village implement a formal policy of review over the areas that handle cash. These procedures would include reviews by a supervisor of the employee receiving cash. Additionally, we recommend that cash and checks be deposited weekly and that a monthly bank reconciliation be prepared and formally reviewed by separate individuals.

Management's Response: The Village will implement controls over cash receipts and reconciliations.

Section III - Federal Award Findings

There were no federal award findings for the year ended April 30, 2018.

Village of Rantoul, Illinois
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED APRIL 30, 2017

Section IV –Prior Year Findings and Questioned Costs

Finding 2017-001: Internal Controls over Financial Reporting

This finding is repeated in the current year as finding 2018-001.

Finding 2017-002: Internal Controls over Airport Cash Receipts and Reconciliation

This finding is repeated in the current year as finding 2018-002.