

CITY OF SPRINGFIELD, ILLINOIS

REPORT ON FEDERAL AWARDS

For the Year Ended February 28, 2018

CITY OF SPRINGFILED, ILLINOIS

TABLE OF CONTENTS For the Year Ended February 28, 2018

	<u>Page(s)</u>
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
Report on Compliance for the Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	3 – 5
Schedule of Expenditures of Federal Awards	6 – 7
Notes to Schedule of Expenditures of Federal Awards	8
Schedule of Findings and Questioned Costs	9 – 11
Summary Schedule of Prior Audit Findings	12

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

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and City Council
City of Springfield, 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, each major fund, and the aggregate remaining fund information of the City of Springfield, Illinois as of and for the year ended February 28, 2018, and the related notes to the financial statements, which collectively comprise the City of Springfield's basic financial statements, and have issued our report thereon dated August 31, 2018. Our report includes a reference to other auditors who audited the financial statements of the Springfield Police Pension Fund and the Springfield Firefighters' Pension Fund, Pension Trust Funds of the City of Springfield, as described in our report on the City of Springfield's financial statements. The financial statements of the Springfield Police Pension Fund and the Springfield Firefighters' Pension Fund were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Springfield'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Springfield's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Springfield'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.

To the Honorable Mayor and City Council
City of Springfield, Illinois

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Springfield's financial statements are free from 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*.

Purpose of this 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 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.

Baker Tilly Virchow Krause, LLP

Oak Brook, Illinois
August 31, 2018

REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL
OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and City Council
City of Springfield, Illinois

Report on Compliance for the Major Federal Program

We have audited the City of Springfield's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City of Springfield's major federal program for the year ended February 28, 2018. The City of Springfield's major federal program is identified in the summary of auditors' 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 program.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the City of Springfield's major federal program 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 Springfield's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

To the Honorable Mayor and City Council
City of Springfield, Illinois

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

Opinion on the Major Federal Program

In our opinion, the City of Springfield complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended February 28, 2018.

Report on Internal Control Over Compliance

Management of the City of Springfield 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 City of Springfield's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 the City of Springfield'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 a 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 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.

To the Honorable Mayor and City Council
City of Springfield, Illinois

Purpose of this Report

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, each major fund, and the aggregate remaining fund information of the City of Springfield, Illinois as of and for the year ended February 28, 2018, and the related notes to the financial statements, which collectively comprise the City of Springfield's basic financial statements. We issued our report thereon dated August 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. Our report includes a reference to other auditors who audited the financial statements of the Springfield Police Pension Fund and the Springfield Firefighters' Pension Fund, Pension Trust Funds of the City of Springfield, as described in our report on the City of Springfield's 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 expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Baker Tilly Virchow Krause, LLP

Oak Brook, Illinois
November 15, 2018

CITY OF SPRINGFIELD, ILLINOIS

Schedule of Expenditures of Federal Awards
For the Year Ended February 28, 2018

Federal Grantor / Pass Through Grantor / Program or Cluster Title	CFDA Number	Grant Number	Federal Expenditures	Passed Through To Subrecipients
U.S. Department of Housing and Urban Development				
Direct Funding				
CDBG - Entitlement Grants Cluster				
Community Development Block Grant/Entitlement Grants	14.218	B-15-MC-17-0023	\$ 429,479	\$ 237,155
Community Development Block Grant/Entitlement Grants	14.218	B-16-MC-17-0023	<u>223,652</u>	<u>139,067</u>
Subtotal Community Development Block Grants/Entitlement Grants			<u>653,131</u>	<u>376,222</u>
Subtotal CDBG - Entitlement Grants Cluster			<u>653,131</u>	<u>376,222</u>
Home Investment Partnership Programs	14.239	M-14-MC-17-0209	1	-
Home Investment Partnership Programs	14.239	M-15-MC-17-0209	98,841	-
Home Investment Partnership Programs	14.239	M-16-MC-17-0209	<u>264,754</u>	<u>-</u>
Subtotal Home Investment Partnership Program			<u>363,596</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development			<u>1,016,727</u>	<u>376,222</u>
U.S. Department of Justice				
Direct Funding				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2014-DJ-BX-0265	37,045	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015-DJ-BX-0068	42,953	12,955
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2016-DJ-BX-0068	71,130	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	414504	85,155	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	414514	<u>16,970</u>	<u>-</u>
Subtotal Edward Byrne Memorial Justice Assistance Grant Program			<u>253,253</u>	<u>12,955</u>
Equitable Sharing Program	16.922	N/A	60,586	-
Organized Crime Drug Enforcement Task Force	16.U01	N/A	13,047	-
Drug Enforcement Admn Task Force	16.U02	N/A	16,361	-
US Marshal Task Force	16.U03	N/A	21,298	-
Central IL Safe Streets Task Force	16.U04	N/A	<u>366</u>	<u>-</u>
Total U.S. Department of Justice			<u>364,911</u>	<u>12,955</u>
U.S. Department of Homeland Security				
Direct Funding				
Joint Terrorism Task Force	97.U01	N/A	<u>5,960</u>	<u>-</u>
Passed Through Federal Emergency Management Agency				
Assistance to Firefighters Grant	97.044	EMW-2015-FP-00074	7,975	-
Assistance to Firefighters Grant	97.044	EMW-2016-FP-00413	<u>16,259</u>	<u>-</u>
Subtotal Assistance to Firefighters Grant			<u>24,234</u>	<u>-</u>
Passed Through Illinois Emergency Management Agency				
Homeland Security Grant Program	97.067	N/A	<u>28,470</u>	<u>-</u>
Total U.S. Department of Homeland Security			<u>58,664</u>	<u>-</u>
U.S. Department of Transportation				
Direct Funding				
National Infrastructure Investments (M)	20.933	FR-TII-0021-14-01-00	1,720,432	-
National Infrastructure Investments (M)	20.933	FR-TII-0045-17	<u>1,506,439</u>	<u>-</u>
Subtotal National Infrastructure Investments			<u>3,226,871</u>	<u>-</u>

CITY OF SPRINGFIELD, ILLINOIS

Schedule of Expenditures of Federal Awards
For the Year Ended February 28, 2018

Federal Grantor / Pass Through Grantor / Program or Cluster Title	CFDA Number	Grant Number	Federal Expenditures	Passed Through To Subrecipients
Passed-through Illinois Department of Transportation				
Highway Safety Cluster				
State and Community Highway Safety	20.600	AP-17-0125	\$ 4,063	\$ -
National Priority Safety Programs	20.616	AP-18-0084	<u>12,916</u>	<u>-</u>
Subtotal Highway Safety Cluster			<u>16,979</u>	<u>-</u>
Highway Planning and Construction Cluster				
Highway Planning and Construction	20.205	M-5146(064)	122,676	-
Highway Planning and Construction	20.205	BRM-5146 (096)	37,427	-
Highway Planning and Construction	20.205	HPD-0745(001)	20,745	-
Highway Planning and Construction	20.205	M-5146(086)	86,345	-
Highway Planning and Construction	20.205	HPP-4053 (004)	<u>220,896</u>	<u>-</u>
Subtotal Highway Planning and Construction			<u>488,089</u>	<u>-</u>
Subtotal Highway Planning and Construction Cluster			<u>488,089</u>	<u>-</u>
Total U.S. Department of Transportation			<u>3,731,939</u>	<u>-</u>
U.S. Equal Employment Opportunity Commission				
Direct Funding				
Employment Discrimination Title VII of the Civil Rights Act of 1964	30.001	EEC45017C0047	<u>8,500</u>	<u>-</u>
Total U.S. Equal Employment Opportunity Commission			<u>8,500</u>	<u>-</u>
Total expenditures of federal awards			<u>\$ 5,180,741</u>	<u>\$ 389,177</u>

(M) Denotes major program.

CITY OF SPRINGFIELD, ILLINOIS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended February 28, 2018

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “schedule”) includes the federal award activity of the City of Springfield under programs of the federal government for the year ended February 28, 2018. All federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other governmental agencies is included in the schedule. 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). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual or modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and OMB circular A-87, 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. Pass-through entity identifying numbers are presented where available.

The underlying accounting records for some grant programs are maintained on the modified accrual basis of accounting. Under the modified accrual basis, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the liability is incurred. The accounting records for other grant programs are maintained on the accrual basis, i.e., when the revenue has been earned and the liability is incurred.

NOTE 3 – INDIRECT COST RATE

The City of Springfield has not elected to use the 10% de minimis indirect cost rate.

NOTE 4 – FEDERAL LOAN PROGRAM

Under the Community Development Block Grant program (CFDA #14.218), the City of Springfield administers loan programs which are accounted for in the Community Development Fund, a special revenue fund. As of February 28, 2018, the loans outstanding under these programs total \$216,380.

CITY OF SPRINGFIELD, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended February 28, 2018

SECTION I – SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- > Material weakness(es) identified? _____ yes X no
- > Significant deficiency(ies) identified? _____ yes X none reported

Noncompliance material to financial statements noted?

_____ yes X no

FEDERAL AWARDS

Internal control over major programs:

- > Material weakness(es) identified? _____ yes X no
- > Significant deficiency(ies) identified? _____ yes X none reported

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

Any audit findings disclosed that are required to be reported in accordance with section 516(a) of the Uniform Guidance?

_____ yes X no

Auditee qualified as low-risk auditee?

_____ yes X no

Identification of major federal programs:

CFDA Number(s)

Name of Federal Program or Cluster

20.933

National Infrastructure Investments

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

CITY OF SPRINGFIELD, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended February 28, 2018

SECTION II – FINANCIAL STATEMENT FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

None noted.

CITY OF SPRINGFIELD, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended February 28, 2018

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None noted.

CITY OF SPRINGFIELD, ILLINOIS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS For the Year Ended February 28, 2018

FINDING NO. 2017-001 – Preparation of Financial Statements

Condition: Municipalities are responsible to maintain a system of internal controls over the preparation of financial statements including all required footnotes that are free of material errors and are in accordance with generally accepted accounting principles (GAAP). This includes preparing and/or thoroughly reviewing GAAP based financial statements to insure they are free of material misstatement.

Management was recording construction in progress additions based upon checks written during the fiscal year. As the payable accruals were not reviewed for additional construction in progress costs at the end of fiscal year 2016, the net assets as of March 1, 2016 have been restated to reflect the additional construction in progress resulting in an increase in net position in the governmental activities.

Status: In fiscal year 2018, the City changed their process to include a review of the year-end accounts payable listing to ensure the capitalization of accrued items that were not year paid. This finding is not repeated for the year ended February 28, 2018.

FINDING NO. 2017-002 – National Infrastructure Investments – CFDA No. 20.933, Grant No. FR-TII-0021-14-01-00, Year Ended February 28, 2017

Condition: During the single audit, instances of noncompliance with reporting requirements of the major program were noted. During testing of 1 of 4 quarterly Federal Financial Reports submitted to the Federal Railroad Administration (FRA) during the City's fiscal year 2017 we noted inaccurate reporting of expenditures. The City was inaccurately overstating the Federal Share of Unliquidated Obligations by including the IDOT share of the Construction Contract Obligations. We noted the overstatement of this amount was fixed and reported correctly for the subsequent Federal Financial Reports submitted. Therefore, 1 of 4 quarterly Federal Financial Reports submitted during the City's fiscal year was inaccurately reporting expenditures.

Status: In fiscal year 2018, the City implemented an additional review to ensure accurate reports are submitted to Federal agencies. This finding is not repeated for the year ended February 28, 2018.