

VILLAGE OF CARPENTERSVILLE, ILLINOIS

SINGLE AUDIT REPORT

For the Year Ended
April 30, 2014

VILLAGE OF CARPENTERSVILLE, 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>	3-4
Independent Auditor’s Report on Compliance for each Major Program, on Internal Control over Compliance and on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133	5-7
Schedule of Expenditures of Federal Awards.....	8
Notes to the Schedule of Expenditures of Federal Awards	9
Schedule of Findings and Questioned Costs.....	10-11



**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***

Honorable Village President and
Members of the Board of Trustees
Village of Carpentersville, 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 Village of Carpentersville, Illinois (the Village), as of and for the year ended April 30, 2014, and the related notes to financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated September 4, 2014.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

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.

We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness: 2014-001.

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village'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*.

The Village's Response to Findings

The Village's response to the finding identified in our audit is 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 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 Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Naperville, Illinois
September 4, 2014



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

630.566.8400 // www.sikich.com

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

Honorable Village President and
Members of the Board of Trustees
Village of Carpentersville, Illinois

Report on Compliance for Each Major Federal Program

We have audited the Village of Carpentersville, Illinois' (the Village) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have direct and material effect on each of the Village's major federal programs for the year ended April 30, 2014. The Village's major federal program is 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 the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Village'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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 the Village's 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 of Carpentersville, 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 year ended April 30, 2014.

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 OMB Circular A-133, 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 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 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 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 might be material weaknesses or significant deficiencies. 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

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 Village, as of and for the year ended April 30, 2014, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements. We issued our report thereon dated September 4, 2014, 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 OMB Circular A-133 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.

Naperville, Illinois
September 4, 2014

S. J. L. P.

VILLAGE OF CARPENTERSVILLE, ILLINOIS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended April 30, 2014

Federal Grantor	Pass-Through Grantor	Program Title	Federal CFDA Number	Program/Grant Number	Expenditures
U.S. Department of Housing and Urban Development	Kane County, Illinois	Community Development Block Grants/ Entitlement Grants	14.218	Carpenter Park 2012 Sidewalk Program 2013 Street Program	\$ 105,419 187,578 <u>99</u>
Total Community Development Block Grants/ Entitlement Grants					<u>293,096</u>
Total U.S. Department of Housing and Urban Development					<u>293,096</u>
U.S. Department of Agriculture Forest Service	Metropolitan Mayors and Managers Caucus	Urban and Community Forestry Program	10.675	N/A	<u>9,768</u>
Total U.S. Department of Agriculture Forest Service					<u>9,768</u>
U.S. Department of Justice	Cook County, Illinois	Bulletproof Vest Partnership Program	16.607	N/A	<u>218</u>
Total U.S. Department of Justice					<u>218</u>
U.S. Department of Transportation	Illinois Department of Transportation	Highway Planning and Construction	20.205	C-91-399-01 C-91-324-10 P-91-386-08	189,684 38,067 <u>32,264</u>
Total Highway Planning and Construction Grants					<u>260,015</u>
Total U.S. Department of Transportation					<u>270,178</u>
U.S. Department of Homeland Security	N/A	Assistance to Firefighters Grant	97.044	N/A	<u>10,328</u>
Total U.S. Department of Homeland Security					<u>10,328</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS					<u><u>\$ 583,588</u></u>

VILLAGE OF CARPENTERSVILLE, ILLINOIS

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended April 30, 2014

Note A - Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards has been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB). It is a summary of the activity of the Village's federal awards programs prepared on the accrual basis of accounting. Accordingly, expenditures are recognized when the liability has been incurred and revenues are recognized when the qualifying expenditure has been incurred.

Note B - Subrecipients

There were no subrecipients for the fiscal year ending April 30, 2014.

Note C - Noncash Transactions

There were no noncash transactions for the fiscal year ending April 30, 2014.

Note D - Illinois Environmental Protection Agency Loans

The Village had Illinois Environmental Protection Agency Loans outstanding in the amount of \$9,596,351 at April 30, 2014. The loans have no continuing compliance requirements aside from loan repayment.

VILLAGE OF CARPENTERSVILLE, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended April 30, 2014

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? X yes no
Significant deficiency(ies) identified not considered to be material weaknesses? 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 not considered to be material weaknesses? yes X no

Type of auditor's report issued on compliance for Major programs: *Unmodified (CFDA # 14.218)*

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? yes X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? yes X no

VILLAGE OF CARPENTERSVILLE, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended April 30, 2014

Section II - Findings - Financial Statement Audit

2014-001: Prior Period Adjustments

Criteria: While many of our clients rely upon our expertise when developing adjusting journal entries for unusual or exceptionally complicated transactions, we encourage management to make every effort to properly record these entries prior to the beginning of each audit.

Condition: During our audit, material adjustments were necessary that resulted in restatement of prior period equity. The adjustments were due to a number of reasons, including incorrect revenue recognition for recording grants, incorrect revenue recognition for public infrastructure fees in the waterworks and sewerage fund, reporting of the Park Trust fund not previously reported in the Village's financial statements and adjustments to properly record opening capital assets in the financial statements.

Cause: The Village's month and year end accounting procedures did not allow for the preparation of adjusted trial balances in accordance with generally accepted accounting principles.

Effect: Significant auditor-proposed adjusting journal entries were required to present the financial statements in accordance with generally accepted accounting principles.

Recommendation: We recommend that management review its month and year end accounting procedures to incorporate all necessary adjustments required to present the accounts in accordance with generally accepted accounting principles prior to the start of the audit process. Additionally, account analyses of significant accounts should be maintained on an interim basis in order to assure the accuracy of interim financial information provided to the Board.

Corrective Action Plan:

Staff identified the required transactions and recorded them in the current year until the audit team could verify that these adjustments were material to the financial statements and must be recorded as prior period adjustments. Staff is confident that prior period adjustments will not be recorded in the future. New internal control procedures for month and year end were rewritten in fiscal year 2014 to prevent improper reporting.