

CITY OF URBANA, ILLINOIS

REPORT ON FEDERAL AWARDS

For the Year Ended June 30, 2021

CITY OF URBANA, ILLINOIS

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**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***

To the Honorable Mayor and Members of the City Council of
City of Urbana, Illinois

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 City of Urbana, Illinois as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Urbana's basic financial statements, and have issued our report thereon dated December 7, 2021. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Urbana Free Library, the City of Urbana Police Pension Fund, and the City of Urbana Firefighters' Pension Fund were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Urbana Free Library, the City of Urbana Police Pension Fund, and the City of Urbana Firefighters' Pension Fund.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing 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 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'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 financial statements. 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.

A handwritten signature in black ink that reads "Baker Tilly US, LLP". The signature is written in a cursive, flowing style.

Oak Brook, Illinois
December 7, 2021

**Independent Auditors' 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 Mayor and Members of the City Council of
City of Urbana, Illinois

Report on Compliance for Each Major Federal Program

We have audited the City of Urbana's 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 City's major federal programs for the year ended June 30, 2021. The City's major federal programs are 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 programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City'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 City'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 City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City 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 June 30, 2021.

Report on Internal Control Over Compliance

Management of the City 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'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 the City'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.

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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Urbana, Illinois as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Urbana's basic financial statements. We issued our report thereon dated December 7, 2021, 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 expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Baker Tilly US, LLP

Oak Brook, Illinois
December 7, 2021

CITY OF URBANA, ILLINOIS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2021

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:				
<i>Direct Funding</i>				
Home Investment Partnerships Program				
Home Investment Partnerships Program	14.239	M-20-DC-17-0217	\$ 53,924	\$ -
Home Investment Partnerships Program	14.239	M-19-DC-17-0217	143,712	111,030
Home Investment Partnerships Program	14.239	M-18-DC-17-0217	77,356	38,632
Home Investment Partnerships Program	14.239	M-17-DC-17-0217	147,368	138,711
Home Investment Partnerships Program	14.239	M-15-DC-17-0217	<u>24,733</u>	<u>20,837</u>
Subtotal Home Investment Partnerships Program:			<u>447,093</u>	<u>309,210</u>
 CDBG - Entitlement Grants Cluster (M)				
Community Development Block Grants/Entitlement Grants				
COVID-19 - Community Development Block Grants/Entitlement Grants	14.218	B-20-MW-17-0024	405,419	23,759
Community Development Block Grant	14.218	B-20-MC-17-0024	361,360	-
Community Development Block Grant	14.218	B-19-MC-17-0024	21,015	-
Community Development Block Grant	14.218	B-18-MC-17-0024	570	-
Community Development Block Grant	14.218	B-17-MC-17-0024	87,376	-
Community Development Block Grant	14.218	B-16-MC-17-0024	77,841	-
Community Development Block Grant	14.218	B-15-MC-17-0024	15,529	-
Community Development Block Grant	14.218	B-14-MC-17-0024	<u>11,267</u>	<u>-</u>
Subtotal CDBG - Entitlement Grants Cluster (M):			<u>980,377</u>	<u>23,759</u>
<i>Subtotal Direct Funding:</i>			<u>1,427,470</u>	<u>332,969</u>
Total U.S. Department of Housing and Urban Development:			<u>1,427,470</u>	<u>332,969</u>
 U.S. Department of Justice:				
<i>Direct Funding</i>				
Bulletproof Vest Partnership Program				
Bulletproof Vest Partnership Program	16.607	2020-BUBX-19096388	900	-
Bulletproof Vest Partnership Program	16.607	2019-BUBX-18092925	6,818	-
Bulletproof Vest Partnership Program	16.607	2018-BUBX-17088704	<u>837</u>	<u>-</u>
Subtotal Bulletproof Vest Partnership:			<u>8,555</u>	<u>-</u>
 <i>Passed through University of Illinois</i>				
National Institute of Justice Research, Evaluation, Development Project Grants				
Development Project Grants	16.560	2017-R2-CX-0012	1,318	-
Development Project Grants	16.560	2017-R2-CX-0012	4,520	-
Development Project Grants	16.560	2017-R2-CX-0012	528	-
Development Project Grants	16.560	2017-R2-CX-0012	<u>2,188</u>	<u>-</u>
Subtotal National Institute of Justice Research and Evaluation Development Grant:			<u>8,554</u>	<u>-</u>
Total U.S. Department of Justice:			<u>17,109</u>	<u>-</u>
 U.S. Department of Homeland Security:				
<i>Direct Funding</i>				
Assistance to Firefighters Grant				
Assistance to Firefighters Grant	97.044	EMW-2020-FG-00305	<u>15,243</u>	<u>-</u>
Total U.S. Department of Homeland Security:			<u>15,243</u>	<u>-</u>
 U.S. Department of Treasury:				
<i>Passed through the Illinois Department of Commerce and Economic Opportunity</i>				
COVID-19 Coronavirus Relief Fund (M)	21.019	2433-24224	500,000	-
COVID-19 Coronavirus Relief Fund (M)	21.019	20-488018	<u>2,201,687</u>	<u>-</u>
Total U.S. Department of Treasury:			<u>2,201,687</u>	<u>-</u>
Total expenditures of federal awards:			<u>\$ 3,661,509</u>	<u>\$ 332,969</u>

(M) Denotes major program.

See accompanying notes to schedule of expenditures of federal awards.

CITY OF URBANA, ILLINOIS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended June 30, 2021

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “schedule”) includes the federal award activity of the City of Urbana, Illinois under programs of the federal government for the year ended June 30, 2021. 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 City of Urbana, Illinois, it is not intended to and does not present the financial position, changes in net position or cash flows of the City of Urbana, Illinois.

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, 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 Urbana has not elected to use the 10% de minimis indirect cost rate.

CITY OF URBANA, ILLINOIS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended June 30, 2021

NOTE 4 – SUBRECIPIENTS

Of the federal expenditures presented in the schedule of expenditures of federal awards, the City of Urbana, Illinois provided federal awards to subrecipients as follows:

Grant Program/Subrecipient	CFDA Number	Amount
Home Investment Partnership Program:	14.239	
Champaign County		\$ 159,354
Courage Connection		49,856
Bristol Place		100,000
Total Home Investment Partnership Program		<u>309,210</u>
Community Development Block Grants:	14.218	
Champaign County		23,759
Total Community Development Block Grant		<u>23,759</u>
	TOTAL	<u>\$ 332,969</u>

CITY OF URBANA, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended June 30, 2021

SECTION I – SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP: 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 2 CFR 200.516(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)

14.218
21.019

Name of Federal Program or Cluster

CBDG – Entitlement Grants Cluster
Coronavirus Relief Fund

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

\$ 750,000

CITY OF URBANA, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2021

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

None noted.

CITY OF URBANA, ILLINOIS

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS For the Year Ended June 30, 2021

<u>Finding Number</u>	<u>Condition</u>	<u>Current Status</u>
2020-001	The City has outsourced the preparation of the financial statements to the auditors due to lack of funds for training and the small size of the City's accounting department.	The City was able to accurately prepare all of its accruals for fiscal year 2021. The City engaged Baker Tilly to prepare the Annual Comprehensive Financial Report as a service to the City due to limitations in staffing. Finding has been remediated in the current fiscal year.