



**Finance and Budget Committee  
Tuesday, October 8, 2024  
Lorraine H. Morton Civic Center 5:00 PM**

***Google Meet joining info***  
***Video call link: <https://meet.google.com/utc-fpju-ubn>***  
***Or dial: (US) +1 413-296-5673 PIN: 932 996 020#***  
***More phone numbers: <https://tel.meet/utc-fpju-ubn?pin=4650660160318>***

## **AGENDA**

Page

**1. CALL TO ORDER/DECLARATION OF A QUORUM**

**2. APPROVAL OF VIRTUAL COMMITTEE MEMBER PARTICIPATION**

**3. PUBLIC COMMENT**

**4. APPROVAL OF MINUTES**

M1. **Approval of the August 27, 2024 Finance & Budget Committee Meeting minutes.** 3 - 4

**For Action**

**[Finance and Budget Committee - Aug 27 2024 - Minutes - Pdf](#)**

M2. **Approval of the September 10, 2024 Finance & Budget Committee Meeting minutes.** 5 - 6

**For Action**

[Finance and Budget Committee - Sep 10 2024 - Minutes - Pdf](#)

**5. CONSIDERATION**

FB1. **Review of the FY 2023 Single Audit** 7 - 26

Staff recommends that the Finance & Budget Committee recommend to the City Council that they accept and place on file the FY 2023 Single Audit.

**For Action: Accept and Place on File**

[Review of the FY 2023 Single Audit - Attachment - Pdf](#)

FB2. **Transfer from General Fund to Equipment Replacement Fund and Special Assessment Fund** 27 - 28

Staff recommends that the Finance & Budget Committee recommend to the City Council that the inter-fund transfer of \$2,300,000 from the General Fund be approved for the Equipment Replacement Fund and \$1,000,000 for the Special Assessment Fund.

**For Action**

[Transfer of General Fund Reserves to Equipment Replacement Fund and Special Assessment Fund. - Attachment - Pdf](#)

**6. DISCUSSION**

D1. **Discussion Regarding the FY 2025 Proposed Budget** 29

Discussion Only.

**For Discussion**

[Discussion Regarding the FY 2025 Proposed Budget - Attachment - Pdf](#)

**7. ADJOURNMENT**

**Draft**



City of  
**Evanston™**  
**MINUTES**

**Finance and Budget Committee**

**Tuesday, August 27, 2024 @ 5:00 PM**

Lorraine H. Morton Civic Center

**COMMITTEE MEMBER  
PRESENT:**

David Livingston, Resident, Clare Kelly, Councilmember, Jonathan Nieuwsma, Councilmember, Bobby Burns, Councilmember, Devon Reid, Councilmember, Leslie McMillan, Committee Member, Melissa Wynne, Councilmember, and Shari Reiches, Committee Member

**COMMITTEE MEMBER  
ABSENT:**

**STAFF PRESENT:**

Hitesh Desai, Chief Financial Officer/Treasurer, Michael Van Dorpe, Financial Analyst, and Clayton Black, Budget Manager

**1. CALL TO ORDER/DECLARATION OF A QUORUM**

The meeting was called to order at 5:00 PM.

**2. PUBLIC COMMENT**

There was no public comment.

**3. APPROVAL OF MINUTES**

M1. Approval of the July 9, 2024 Finance & Budget Committee Meeting Minutes.

Committee Member Livingston moved to approve the July 9, 2024 Finance & Budget Committee Meeting minutes.

Moved by Committee Member Livingston

Seconded by Councilmember Nieuwsma

**Ayes:** Livingston, Kelly, Nieuwsma, McMillan, Wynne, and Reiches

**Motion Passed 6-0 on a recorded vote**

Minutes Approved.

**4. DISCUSSION**

D1. Discussion Regarding the Northwestern Stadium Permit Revenues

Hitesh Desai, CFO, presented and facilitated discussion regarding the one-time revenues received from Northwestern University connected to the construction of the new Football Stadium.

The Committee discussed options presented by staff on how to allocate the revenues within the FY 2024 Budget. There was not a formal vote on the item, but the consensus opinion from the Committee was that these one-time revenues should be allocated to the General Fund to help balance the FY 2024 Budgeted Deficit.

D2. Discussion Regarding Mid-Year Financials

Clayton Black, Budget Manager, presented and facilitated the discussion regarding the FY 2024 mid-year financials.

Members of the Committee asked clarifying questions about specific revenues and specific expenses, the vacancy rate, and the ARPA Fund.

D3. Discussion Regarding the Public Safety Pension

Jason Franken, Actuary with Foster and Foster, presented the most recent Actuarial Valuation Reports for the Police and Fire Pensions. Mr. Franken and Hitesh Desai, CFO, facilitated the discussion with the Committee.

Members of the Committee asked clarifying questions about the reports.

Councilmember Kelly made a motion to direct staff to use the annual contribution amounts provided in the Actuarial Valuation reports which use an assumed 6.5% rate of return.

Moved by Councilmember Kelly  
Seconded by Councilmember Wynne

**Ayes:** Livingston, Kelly, Nieuwsma, Reid, McMillan, Wynne, and Reiches  
**Motion Passed 7-0 on a recorded vote**

Motion passed.

D4. Discussion Regarding the 2023 IMRF Financial Data

Hitesh Desai, CFO, provided an update on this item, noting that beginning with the FY 2024 Audit, staff will use the FY 2024 IMRF Audit numbers, instead of the historical practice of using the prior year's audit information. Mr. Desai noted that this choice has the potential to delay the completion of our annual audit if the IMRF has delays in completing their annual audit.

5. **ADJOURNMENT**

The meeting was adjourned at 6:34 PM.



**Finance and Budget Committee**  
**Tuesday, September 10, 2024 @ 5:00 PM**  
Lorraine H. Morton Civic Center

**COMMITTEE MEMBER PRESENT:**

David Livingston, Resident, Clare Kelly, Councilmember, Jonathan Nieuwsma, Councilmember, Devon Reid, Councilmember, Leslie McMillan, Committee Member, Melissa Wynne, Councilmember, and Shari Reiches, Committee Member

**COMMITTEE MEMBER ABSENT:**

Bobby Burns, Councilmember

**STAFF PRESENT:**

Hitesh Desai, Chief Financial Officer/Treasurer, Michael Van Dorpe, Financial Analyst, Clayton Black, Budget Manager, Christian Salvador, Administrative Lead, Darrell King, Water Production Bureau Chief, Lara Biggs, City Engineer, Lukasz Tatara, Interim Parking Manager, Michael Rivera, Interim Administrative Services Director, and Sarah Flax, Director of Community Development

**1. CALL TO ORDER/DECLARATION OF A QUORUM**

The meeting was called to order at 5:00 PM.

**2. PUBLIC COMMENT**

Celia Carlina commented on Participatory Budgeting.

Matt Easterday commented on Participatory Budgeting.

Brian Nielson commented on Participatory Budgeting.

Morgan Woo commented on Participatory Budgeting.

Mary Rosinski commented on the Parks and Recreation Budget.

Kemone Hendricks commented on Participatory Budgeting.

**3. DISCUSSION**

D1. Discussion Regarding the FY 2025 CIP

**Draft**

Finance and Budget Committee  
September 10, 2024

Lara Biggs, City Engineer, presented and facilitated discussion regarding the FY 2025 Preliminary Capital Improvement Plan (CIP) and upcoming challenges with the FY 2025 CIP.

Members of the Committee asked clarifying questions about the CIP and the need to create a structure for prioritizing projects.

D2. Discussion Regarding FY 2025 Needs in the Parking Fund

Christian Salvador, Management Analyst, presented on capital needs in the Parking Fund in FY 2025. Mr. Salvador, Michael Rivera, Interim Director of Administrative Services, and Hitesh Desai, CFO, participated in the discussion on this item.

Members of the Committee asked clarifying questions about the potential funding sources for these projects in the Parking Fund. Many members of the committee were supportive of the idea of passing along credit card fees for parking transactions to support future CIP projects in the Parking Fund.

D3. Discussion Regarding Water and Sewer Fund Rates and Capital Needs

Darrell King, Water Production Bureau Chief, presented and facilitated discussion regarding upcoming changes to the Water and Sewer Rates.

Members of the Committee participated in the discussions related to the water rate increases and the Lead Service Line replacements.

D4. Update on the American Rescue Program Act (ARPA) Fund

Sarah Flax, Director of Community Development, addressed questions that the Committee had about the ARPA Fund.

D5. Discussion Regarding Participatory Budgeting

Members of the Committee shared their views and insights gleaned from the Participatory Budgeting process.

**4. ADJOURNMENT**

The meeting was adjourned at 6:45 PM.



## Memorandum

To: Members of the Finance and Budget Committee  
From: Hitesh Desai, Chief Financial Officer/Treasurer  
CC: Jess Tapia  
Subject: Review of the FY 2023 Single Audit  
Date: October 8, 2024

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Recommended Action:

Staff recommends that the Finance & Budget Committee recommend to the City Council that they accept and place on file the FY 2023 Single Audit.

Council Action:

For Action: Accept and Place on File

Summary:

The Single Audit Act requires an annual audit of non-Federal entities that expend \$750,000 or more of Federal Financial Assistance in a fiscal year. A Single Audit includes an audit of both the organization's financial statements and compliance with Federal award requirements for those programs identified as major programs. Through the audit process, the auditors determine whether the organization's financial statements fairly present the financial position of the organization and whether they are presented in accordance with Generally Accepted Accounting Principles (GAAP). An independent auditor must perform the Single Audit. The City of Evanston retained Prado & Renteria to conduct the single audit; their final report is attached.

Attachments:

[FY2023 Single Audit Final](#)

**CITY OF EVANSTON, ILLINOIS  
Single Audit Report**

**For the Year Ended December 31, 2023**



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## **INDEPENDENT AUDITOR'S REPORT**

The Honorable Daniel Biss, Mayor and  
Members of the City Council  
Evanston, Illinois

### **Report on the Audit of the Schedule of Expenditures of Federal Awards**

#### ***Opinion***

We have audited the accompanying Schedule of Expenditures of Federal Awards of the City of Evanston, Illinois (City), for the year ended December 31, 2023 and the related notes (the financial statement).

In our opinion, the financial statement referred to above presents fairly, in all material respects, the expenditures of federal awards of the City for the year ended December 31, 2023, in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Schedule of Expenditures of Federal Awards section of our report. We are required to be independent of the City of Evanston, Illinois and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Schedule of Expenditures of Federal Awards***

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibilities for the Audit of the Schedule of Expenditures of Federal Awards***

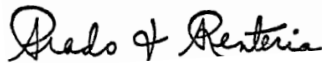
Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of

not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Evanston, Illinois' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



Chicago, Illinois  
September 27, 2024

CITY OF EVANSTON, ILLINOIS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2023

Federal Grantor/Pass-Through Grantor/ Program Title	Federal Assistance Listing Number	Identifying Number	Award Date	Passed-Through to Subrecipients	Federal Expenditures
<b>DEPARTMENT OF AGRICULTURE</b>					
Passed through the Illinois State Board of Education Child and Adult Care Food Program	10.558	ISBE 23-4226-00 - 05-016-510P-00	Dec 29, 2022 - Dec 14, 2023	N/A	\$ 58,305
Passed through the Illinois State Board of Education Summer Food Service Program for Children	10.559	ISBE 23-4225-00 - 05-016-510P-00	Aug 1, 2023 - Sep 18, 2023	N/A	173,741
Passed through Illinois Department of Natural Resources Urban and Community Forestry Program	10.675	0827-02	February 1, 2022	N/A	15,000
<b>Total Department of Agriculture</b>					<b>247,046</b>
<b>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>					
Community Development Block Grants/Entitlement Grants					
Entitlement year 46	14.218	B20MC-170012	August 21, 2020	500	34,938
Entitlement year 47	14.218	B21MC-170012	August 3, 2021	20,378	214,333
Entitlement year 48	14.218	B22MC-170012	September 8, 2022	N/A	292,369
Entitlement year 49	14.218	B23MC-170012	July 12, 2023	259,117	1,179,673
Total Community Development Block Grants/Entitlement Grants				279,995	1,721,313
COVID-19 Community Development Block Grants/Entitlement Grants					
Entitlement year 46	14.218	B20MW-170012	December 10, 2020	251,263	295,668
Emergency Solutions Grant Program	14.231	E23MC-170012	July 12, 2023	136,364	154,765
Home Investment Partnerships Program	14.239	M21-MC-170218	August 3, 2021	28,247	28,247
Home Investment Partnerships Program	14.239	M22-MC-170218	September 8, 2022	N/A	25,777
Home Investment Partnerships Program	14.239	M23-MC-170218	July 12, 2023	19,315	22,053
Total Home Investment Partnerships Program				47,562	76,077
COVID-19 Home Investment Partnerships Program	14.239	M21-MP-170218	September 27, 2021	N/A	28,082
<b>Total Department of Housing and Urban Development</b>				<b>715,184</b>	<b>2,275,905</b>
<b>DEPARTMENT OF JUSTICE</b>					
Bulletproof Vest Partnership Program	16.607	N/A	October 18, 2021	N/A	6,236
Equitable Sharing Program	16.922	N/A	February 17, 2023	N/A	7,408
<b>Total Department of Justice</b>					<b>13,644</b>
<b>DEPARTMENT OF TRANSPORTATION</b>					
Passed through Illinois Department of Transportation					
Highway Planning and Construction	20.205	HSIP # 202001007	August 30, 2019	N/A	56,496
Highway Planning and Construction	20.205	C91-306-91	November 13, 2020	N/A	52,382
Highway Planning and Construction	20.205	D-91-143-21	March 10, 2022	N/A	141,407
Total Highway Planning and Construction					250,285
Passed through Illinois Department of Transportation					
State and Community Highway Safety	20.600	HS-23-0151	September 12, 2022	N/A	49,790
State and Community Highway Safety	20.600	HS-24-0048	June 20, 2023	N/A	7,095
Total State and Community Highway Safety					56,885
<b>Total Department of Transportation</b>					<b>307,170</b>
<b>DEPARTMENT OF TREASURY</b>					
COVID-19 Coronavirus State and Local Fiscal Recovery Funds*	21.027	N/A	March 11, 2021	N/A	1,100,000
COVID-19 Coronavirus State and Local Fiscal Recovery Funds*	21.027	N/A	March 11, 2021	N/A	1,500,000
COVID-19 Coronavirus State and Local Fiscal Recovery Funds*	21.027	N/A	March 11, 2021	212,462	4,256,078
COVID-19 Coronavirus State and Local Fiscal Recovery Funds*	21.027	N/A	March 11, 2021	N/A	577,959
<b>Total Department of Treasury</b>				<b>212,462</b>	<b>7,434,037</b>

\*Denotes a major program

CITY OF EVANSTON, ILLINOIS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2023

Federal Grantor/Pass-Through Grantor/ Program Title	Federal Assistance Listing Number	Identifying Number	Award Date	Passed-Through to Subrecipients	Federal Expenditures
<b>DEPARTMENT OF ENVIRONMENTAL PROTECTION AGENCY</b>					
Passed through Illinois Environmental Protection Agency Capitalization Grants for Drinking Water State Revolving Funds	66.468	L17-5106	December 4, 2023	N/A	21,591
<b>Total Department of Environmental Protection Agency</b>					<u>21,591</u>
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>					
Passed through Age Options Special Programs for the Aging Title III, Part B Grants For Supportive Services & Senior Centers	93.044	CSFA # 402-03-0027	June 14, 2023	N/A	7,500
Passed through the Illinois Department of Public Health Public Health Emergency Preparedness	93.069	3037180027K / 47180027L	September 12, 2022	N/A	57,278
Public Health Emergency Preparedness - Cities Readiness Prep	93.069	3037580003K / 47580003L	August 1, 2022	N/A	67,471
Total Public Health Emergency Preparedness					124,749
<b>Total Department of Health and Human Services</b>					<u>132,249</u>
<b>DEPARTMENT OF HOMELAND SECURITY</b>					
Emergency Management Assistance Grant Program	97.042	22EMAEVANS	November 19, 2023	N/A	36,282
<b>Total Department of Homeland Security</b>					<u>36,282</u>
<b>INSTITUTE OF MUSEUM &amp; LIBRARY SERVICES</b>					
Passed through Office of Sec of State - IL State Library Grants to States Project Next Generation ( PNG )	45.310	23-3023-PNG	July 21, 2022	N/A	39,241
Passed through Califa Group Laura Bush 21st Century Librarian Program	45.313	CAGML-247937-OMLS-20	December 21, 2021	N/A	4,078
<b>Total Institute of Museum &amp; Library Services</b>					<u>43,319</u>
<b>NATIONAL SCIENCE FOUNDATION</b>					
Passed through Northwestern University STEM Education	47.076	CNC-1827661	October 1, 2018	N/A	398
<b>Total National Science Foundation</b>					<u>398</u>
<b>NATIONAL ENDOWMENT FOR THE ARTS</b>					
Promotion of the Arts Grants to Organizations and Individuals	45.024	1904440-62-23	February 1, 2023	N/A	11,250
<b>Total National Endowment For The Arts</b>					<u>11,250</u>
<b>Total Expenditures of Federal Awards</b>					<u>\$ 927,646</u>
					<u>\$ 10,522,891</u>

\*Denotes a major program

See Independent Auditor's Report and Notes to Schedule of Expenditures of Federal Awards

**CITY OF EVANSTON, ILLINOIS**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended December 31, 2023**

**NOTE 1 – REPORTING ENTITY**

This report on Federal Awards includes the federal awards of the City of Evanston, Illinois. The reporting entity for the city is based upon criteria established by the Governmental Accounting Standards Board (GASB).

The City of Evanston is the primary government according to GASB criteria. On April 30, 2014, the Township was discontinued and dissolved following the March 18, 2014 general election vote taken by the registered voters of the Evanston Township. Pursuant to 60 ILCS 1/27-15 and 1/27-20, effective 12:00 a.m. May 1, 2014, the City of Evanston assumed all rights, powers, assets, property, obligations and duties of the Evanston Township, including the responsibilities of providing the services that were previously provided by the Township. Beginning May 1, 2014, the functions of the Township are reported along with the City.

**NOTE 2 – BASIS OF PRESENTATION**

The 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.

The information in this schedule is presented in accordance with the requirements of OMB Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements.

**NOTE 3 – SUBRECIPIENTS**

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

Program Title	Federal Assistance Listing Number	Amount Provided to Subrecipients
Community Development Block Grants/Entitlement Grants	14.218	\$279,995
COVID-19 Community Development Block Grants/Entitlement Grants	14.218	\$251,263
Emergency Solutions Grant Program	14.231	\$136,364

**CITY OF EVANSTON, ILLINOIS**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended December 31, 2023**

**NOTE 3 – SUBRECIPIENTS – Continued**

HOME Investment Partnerships Program	14.239	\$47,562
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	\$212,462

**NOTE 4 – PROGRAM INCOME**

The City of Evanston received the following program income amounts for the year ended December 31, 2023. The balances of receipts are from letter of credit drawdowns for the program. The program expenditures for the year include expenditures of this program income.

Program Title	Federal Assistance Listing Number	Amount
Community Development Block Grants/Entitlement Grants	14.218	\$163,577
Home Investment Partnerships Program	14.239	\$25,227
Neighborhood Stabilization Program	14.256	\$6,833

**NOTE 5 – NOTES RECEIVABLE OUTSTANDING**

The City of Evanston has several notes receivable outstanding as of December 31, 2023. These loans are for various uses. The Community Development Block Grants/Entitlement Grants Loan funds a number of programs to make decent housing available and affordable to low- and moderate-income families, and to help low- and moderate-income residents maintain their property. The Home Investment Partnerships Program Loan provides loans to housing developers to acquire, rehab or construct housing for low and moderate income households.

Program Title	Federal Assistance Listing Number	Amount
Community Development Block Grants/Entitlement Grants	14.218	\$1,662,815
Home Investment Partnerships Program	14.239	\$5,281,264

The notes receivable balances are not subject to continuing OMB Uniform Guidance compliance requirements.

**CITY OF EVANSTON, ILLINOIS**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended December 31, 2023**

**NOTE 6 – LOANS PAYABLE OUTSTANDING**

The City of Evanston has the following loans payable outstanding as of December 31, 2023. These loans are from The Capitalization Grants for Drinking Water and Clean Water State Revolving Funds. Projects funded were the sewer lining at Emerson and Davis streets, rehab of large diameter sewers and rehab of the Cleveland street sewer.

Program Title	Federal Assistance Listing Number	Amount
Capitalization Grants for Drinking Water State Revolving Funds	66.468	\$665,847
Capitalization Grants for Clean Water State Revolving Funds	66.458	\$655,570

The loan payable balances are not subject to continuing OMB Uniform Guidance compliance requirements.

**NOTE 7 – NONCASH ASSISTANCE**

Of the federal expenditures presented in the schedule of expenditures of federal awards, the City of Evanston did not receive any noncash assistance during the year ended December 31, 2023.

**NOTE 8 – FEDERAL INSURANCE**

The City of Evanston had no federal insurance for the year ended December 31, 2023.

**NOTE 9 – INDIRECT COST RATE**

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



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

The Honorable Daniel Biss, Mayor and  
Members of the City Council  
Evanston, Illinois

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited the City of Evanston, Illinois' (City) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the City's major federal programs for the year ended December 31, 2023. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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 December 31, 2023.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to City's federal programs.

***Auditor's Responsibility for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of the federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2023-001. Our opinion on each major program is not modified with respect to these matters.

## Report on Internal Control over Compliance

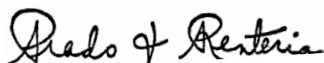
Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-001 to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.



Chicago, Illinois  
September 27, 2024

**CITY OF EVANSTON, ILLINOIS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended December 31, 2023**

**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

Financial Statements

- 1) Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: **Unmodified**
- 2) Internal control over financial reporting:
- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
  - Significant deficiency(ies) identified? \_\_\_\_\_ Yes   X   None reported
- 3) Noncompliance material to financial statements noted? \_\_\_\_\_ Yes   X   No

Federal Awards

- 1) Internal control over major federal programs:
- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
  - Significant deficiency(ies) identified?   X   Yes \_\_\_\_\_ None reported
- 2) Type of auditors’ report issued on compliance for major federal programs: **Unmodified**
- 3) Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?   X   Yes \_\_\_\_\_ No

Identification of major programs:

Assistance Listing Number	Name of Federal Program or Cluster
21.027	COVID-19 Coronavirus State and Local Fiscal Recovery Funds (CSLFRF)

Dollar threshold used to distinguish between type A and type B Programs:           \$750,000          

Auditee qualified as low risk auditee?   X   Yes \_\_\_\_\_ No

**CITY OF EVANSTON, ILLINOIS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended December 31, 2023**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

No matters were reported.

**CITY OF EVANSTON, ILLINOIS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended December 31, 2023**

**SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

**FINDING 2023-001 *Procurement, Suspension and Debarment (Repeat Finding 2022-001 and 2021-001)***

Federal Agency: Department of the Treasury  
Federal Program: 21.027 Coronavirus State and Local Fiscal Recovery Funds  
(CSLFRF)

***Criteria:***

The Department of the Treasury’s Final Rule (Effective April 1, 2022) encouraged the use of internal Procurement Policies and Procedures when procuring products and/or services.

The Department of the Treasury’s Compliance and Reporting Guidance report (Effective June 24, 2021 through April 30, 2025) required recipients (i.e., City of Evanston) to ensure any procurement using CSLFRF funds to be consistent with the procurement standards set forth in the Uniform Guidance at 2 CFR 200.317 through 2 CFR 200.327 as applicable.

Procurement Standards of Title 2 of the *Code of Federal Regulations* (CFR) Part 200 *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) state that all non-federal entities will follow Section 200.318 through Section 200.327.

- A. Section 200.320 identifies four methods of procurement to be followed, among the methods of procurement the below are three identified thresholds:
  - (a) Informal – micro purchases (any amount up to \$10,000)
  - (b) Informal – small purchases (\$10,000.01 to \$249,999.99)
  - (c) Formal – sealed bids (\$250,000 and above)
  - (d) Noncompetitive procurement
  
- B. The *City of Evanston Purchasing Manual* requires the collection of three written quotes for any purchase between \$2,500 and \$25,000 purchased with federal grant funds, a formal bid process (Bid, RFP, RFQ) for any purchase \$25,000 or above purchased with federal grant funds, and a justification memo for a sole source purchase for any amount above \$2,500 purchased with federal grant funds.
  
- C. The *City of Evanston Purchasing Manual* requires that for purchases above \$2,500 but less than \$10,000, approval signature must be obtained from the Department Director. All purchases above \$10,000 require approval signature from the City Manager. Purchases above \$25,000 must also be approved by the City Council.
  
- D. Per Title 2 CFR section 180.300, participant entering into a covered transaction must verify that the person with whom it intends to do business is not excluded or disqualified by:

**CITY OF EVANSTON, ILLINOIS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended December 31, 2023**

**SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS –  
Continued**

**FINDING 2023-001 *Procurement, Suspension and Debarment (Repeat Finding 2022-001  
and 2021-001) – Continued***

- (a) Checking SAM Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person.

E. Title 2 CFR section 200.303 states the following regarding internal control:

“The auditee shall maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with law, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.”

***Condition/Context:***

1. We tested two purchase orders totaling \$208,832.12. Our procedures revealed the following:
  - a. Dated documentation that demonstrates suspension and debarment searches were performed prior to entering into a covered transaction were not retained in the respective procurement files.
  - b. Documentation supporting multiple source solicitations was not available.

***Cause:***

1. At the time these services were procured, the City of Evanston’s procurement policies requiring suspension and debarment checks were not implemented.
2. The City of Evanston’s procurement policies in relation to single source do not meet federal requirements.

***Effect:***

City of Evanston was not in compliance with Title 2 of the *Code of Federal Regulations* (CFR) Part 200 and the requirements outlined in the City of Evanston Purchasing Manual as it relates to purchases above \$25,000. Additionally, the effect of noncompliance can result in questioned costs.

***Recommendation:***

We recommend that City of Evanston:

- a. Date or time stamp suspension and debarment searches when performed.
- b. Revise procurement policies to mirror federal guidelines and requirements in relation to single and sole source purchases.

**CITY OF EVANSTON, ILLINOIS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended December 31, 2023**

**FINDING 2023-001 *Procurement, Suspension and Debarment (Repeat Finding 2022-001 and 2021-001) – Concluded***

- c. Communicate and re-enforce its procurement policies and procedures to ensure compliance with applicable requirements.
- d. Ensure all departments are following applicable procedure in a uniform manner.

***Views of Responsible Officials:***

The purchases in question were made in the Equipment Replacement Fund where debarment searches are not required. ARPA funds were transferred to the Equipment Replacement Fund after the vehicles were delivered. We supplied the list of exclusions issued by the Office of Inspector General, which, from a compliance standpoint, demonstrates that the vendors are not suspended or debarred before entering a covered transaction. The list covers a one-month window and does not provide an exact date for when the list is retrieved from the Office of Inspector General website. When performing debarment searches in SAM.gov, if a vendor opts not to register or does not complete full registration process, the search results will display no matches, rendering it inconclusive to determine their standing. To prevent any potential deficiencies in control procedures, we intend to adopt the supplementary risk-based assessments proposed by the firm.

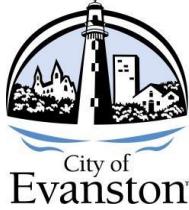


**CITY OF EVANSTON, ILLINOIS  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 For the Year Ended December 31, 2023**

**SECTION IV – PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**TYPE OF FINDINGS**

<b><u>FINDING NUMBER/ DESCRIPTION</u></b>	Financial Statement	Federal Award	<b><u>STATUS</u></b>
<b><u>Coronavirus State and Local Fiscal Recovery Funds, AL 21.027:</u></b>			
2022-001 and 2021-001 – Procurement, Suspension and Debarment		X	The City had not corrected this finding during the current year.



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**MANAGEMENT'S CORRECTIVE ACTION PLAN  
CITY OF EVANSTON, ILLINOIS  
FOR THE YEAR ENDED DECEMBER 31, 2023**

**Finding 2023-001 Procurement, Suspension and Debarment (Repeat Finding 2022-001 and 2021-001)**

**Federal Agency:** U.S. Department of the Treasury  
**Federal Program:** 21.027 Coronavirus State and Local Fiscal Recovery Funds (CSLFRF)  
**Questioned Cost:** N/A

*Corrective Action:*

- a. The Purchasing Manual was revised in 2023 to incorporate procedures relating to suspension and debarment checks. Purchasing will communicate and reinforce its procurement policies and procedures to ensure compliance with applicable requirements by: Provide revised Purchasing Manual to staff with yearly reminder from Purchasing and Community Development Federal Grants Manager.
- b. City staff will work with the City's Purchasing Department to follow and adhere to applicable Procurement procedures.
- c. Ensure all departments are following applicable procedure in a uniform manner.

*Contact Person:* Hitesh Desai, Chief Financial Officer

*Anticipated Completion Date:* December 31, 2024



## Memorandum

To: Members of the Finance and Budget Committee  
From: Hitesh Desai, Chief Financial Officer/Treasurer  
Subject: Transfer from General Fund to Equipment Replacement Fund and Special Assessment Fund  
Date: October 8, 2024

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Recommended Action:

Staff recommends that the Finance & Budget Committee recommend to the City Council that the inter-fund transfer of \$2,300,000 from the General Fund be approved for the Equipment Replacement Fund and \$1,000,000 for the Special Assessment Fund.

Council Action:

For Action

Summary:

Staff recommends that the Finance & Budget Committee recommend to the City Council to approve interfund transfers of \$2,300,000 from the General Fund to the Equipment Replacement Fund and \$1,000,000 to the Special Assessment Fund.

As part of the mid-year update on FY 2024 financials at the August 27, 2024, Finance & Budget Committee Meeting, staff suggested using some of the General Fund balance to fund transfers to the Equipment Replacement Fund and Special Assessment Fund to help those funds as part of the FY 2025 Budget.

**Equipment Replacement Fund - Aerial Ladder Truck Purchase for Fire Department**

At the April 2024 Finance & Budget Committee, the Committee discussed how and when the City should pay for the purchase of a new Aerial Ladder Truck for the Fire Department. At that April meeting, the F&B Committee unanimously approved a motion to "move forward with staff's plan pay for the new fire truck T-22 upon delivery as a budgeted expense in FY 2025."

Staff have included the \$2.3M aerial ladder fire truck in the Equipment Replacement Fund (601) budget as part of the FY 2025 budget. To cover this expense, the staff recommends a \$2.3M interfund transfer in the FY 2024 budget so that the Equipment Replacement Fund has cash on hand at the beginning of FY 2025 to pay for this purchase whenever the truck comes due in FY 2025.

### **Special Assessment Fund - Alley Replacement Program**

At the September 2024 Finance & Budget Committee Meeting, Lara Biggs, City Engineer, presented the upcoming FY 2025 Capital Improvement Plan (CIP). In that presentation, she noted a long-term challenge that has recently resurfaced around the replacement of city alleys. The Special Assessment Fund usually budgets around \$500,000 in expenses each year, which is enough to replace two alleys. This \$500,000 goes towards the 50% of the project paid for by the City, with homeowners paying the other 50%.

The petition waitlist for alley replacement is around 86 petitions long, and Ms. Biggs noted that it takes around 8-10 spots on the waitlist to yield the 2-3 alley projects that move forward each year. (petitions that do not move forward are usually a result of petitioners not getting enough neighbor support or money to pay the 50% of the project owed by homeowners)

The interfund transfer of \$1,000,000 in FY 2024 would allow the Special Assessment Fund to double its impact in FY 2025, replacing 4-6 alleys in FY 2025 and moving through 16-20 petitions on the waitlist. Ms. Biggs noted that 4-6 alleys are about the maximum capacity that Public Works staff could do in one year without impacting other CIP needs.



## Memorandum

To: Members of the Finance and Budget Committee  
From: Hitesh Desai, Chief Financial Officer/Treasurer  
CC: Clayton Black, Budget Manager  
Subject: Discussion Regarding the FY 2025 Proposed Budget  
Date: October 8, 2024

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Recommended Action:  
Discussion Only.

Committee Action:  
For Discussion

Summary:  
Staff will present on the FY 2025 Proposed Budget.

On Friday, October 4, 2024, the FY 2025 Proposed Budget was posted on the City website:  
<https://www.cityofevanston.org/government/budget>