



City of Rochelle, Illinois

Single Audit Report

For the Year Ended December 31, 2025

CITY OF ROCHELLE, ILLINOIS
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER
COMPLIANCE AND REPORT ON SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS, REQUIRED BY UNIFORM GUIDANCE**

The Honorable Mayor
Members of the Council
City of Rochelle, Illinois

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Rochelle, Illinois (City) 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 December 31, 2025. The City's major federal programs are identified in the summary of auditor's 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, 2025.

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; 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). Our responsibilities under those standards and the Uniform Guidance are further describes 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 the City's federal programs.

Auditor's Responsibilities 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, *Government 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 each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government 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.

Report on 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 of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that not been identified.

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.

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 Rochelle, Illinois, as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the City of Rochelle, Illinois' basic financial statements. We issued our report thereon dated July 28, 2026, 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Sikich CPA LLC

Naperville, Illinois
July 28, 2026

CITY OF ROCHELLE, ILLINOIS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2025

Federal Grantor	Pass-Through Grantor	Program Title	Federal ALN	Program/Grant Number	Expenditures
U.S. Department of Housing and Urban Development	Department of Commerce and Economic Development	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	B-19-DC-17-0001	<u>\$ 804,190</u>
Total U.S. Department of Housing and Urban Development					<u>804,190</u>
U.S. Department of Justice	N/A	Bulletproof Vest Partnership	16.607	N/A	<u>7,094</u>
Total U.S. Department of Justice					<u>7,094</u>
U.S. Department of Transportation	Illinois Department of Transportation	Highway Safety Cluster State and Community Highway Safety	20.600	HS-250124	<u>8,181</u>
U.S. Department of Transportation	Illinois Department of Transportation	Airport Improvement Program	20.106	RPJ-4765	<u>13,829</u>
U.S. Department of Transportation	Illinois Department of Transportation	Highway Planning and Construction	20.205	24-1439-45330	<u>169,490</u>
	Illinois Department of Transportation	Highway Planning and Construction	20.205	C-92-010-24	<u>128,198</u>
					<u>297,688</u>
Total U.S. Department of Transportation					<u>319,698</u>
Environmental Protection Agency	Illinois Environmental Protection Agency	Clean Water State Revolving Fund	66.458	L17-4374	<u>103,160</u>
	Illinois Environmental Protection Agency	Drinking Water State Revolving Fund	66.468*	L17-5443	<u>5,393,197</u>
Total Environmental Protection Agency					<u>5,496,357</u>
U.S. Department of Homeland Security	FEMA	Staffing for Adequate Fire and Emergency Response (SAFER) Grants	97.083	EMW-2023-FF-01364	<u>171,277</u>
Total U.S. Department of Homeland Security					<u>171,277</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS					<u><u>\$ 6,798,616</u></u>

*Denotes major federal program.

CITY OF ROCHELLE, ILLINOIS

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2025

Note A - Basis of Presentation

The accompanying schedule of federal awards is a summary of the activity of the City's federal award programs presented on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB). Accordingly, revenues are recognized when the qualifying expenditure has been incurred and expenditures have been recognized when the fund liability has been incurred.

Note B - Subrecipients

There were no payments to subrecipients related to federal awards noted during the year ended December 31, 2025.

Note C - Illinois Environmental Protection Agency Loans

The City had Illinois Environmental Protection Agency Loans outstanding in the amount of \$17,209,870 at December 31, 2025. The loans were initially partially funded with federal monies. The loans have no continuing compliance requirements aside from loan repayment.

Note D - Indirect Cost Rate

The City did not elect the federal 15% de minimis indirect cost rate for the year ended December 31, 2025.

CITY OF ROCHELLE, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2025

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: *unmodified*

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major federal 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 federal programs: *unmodified*

Any audit findings disclosed that are required
to be reported in accordance with
2 CFR 200.516(a)? yes X no

Identification of major federal programs:

<u>ALN</u>	<u>Name of Federal Program or Cluster</u>
66.468	Drinking Water State Revolving Fund

Dollar threshold used to distinguish
between Type A and Type B programs: \$1,000,000

Auditee qualified as low-risk auditee? yes X no

CITY OF ROCHELLE, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended December 31, 2025

Section II - Financial Statement Findings

Significant Deficiency

2025-001: Inventory

Criteria: The City's Electric inventory system and procedures do not allow for accurate recordkeeping to support reporting in accordance with generally accepted accounting principles.

Context/Condition: During our testing of City's Electric inventory, we noted certain opportunities for the City to improve its internal control over its Electric inventory.

During our review of Electric inventory costs, we noted multiple items for which the inventory cost was not calculated correctly based upon the most recent invoices.

Additionally, many items we selected for test counts during our inventory count have not been purchased in the last 7 years, therefore, there was no invoice available to review the cost of these inventory items. Based on discussion with City officials, there is not a formal policy for disposal of obsolete inventory. This finding is a repeat finding and also reported in Section IV - Prior Year Audit Findings as finding 2024-001.

Cause: It was determined that one of the primary causes for these differences is due to the City's materials management software not properly calculating the average cost of inventory items. Additionally, the City does not have a formal policy on disposal of obsolete inventory.

Effect: Inventory values are potentially misstated due to the incorrect calculation of average cost. Second, obsolete inventory is not tracked and adjusted for potential impairment.

Recommendation: We recommend the City regularly monitor the inventory cost values and undertake a full analysis of all inventory items to ensure the average cost is properly calculated within the inventory management system. Additionally, we recommend that the City create a formal policy over its inventory in order to ensure that there are adequate processes in place to record, track, and maintain adequate inventory records and establish a reserve for obsolete inventory by fund.

Views of Responsible Officials: Management agrees with the Single Audit finding and a response is included in the Corrective Action Plan.

CITY OF ROCHELLE, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended December 31, 2025

Section III - Federal Award Findings and Questioned Costs

None

Section IV - Prior Year Audit Findings

Significant Deficiency

2024-001: Inventory

Criteria: The City's Electric inventory system and procedures do not allow for accurate recordkeeping to support reporting in accordance with generally accepted accounting principles.

Context/Condition: During our testing of City's Electric inventory, we noted certain opportunities for the City to improve its internal control over its Electric inventory.

During our review of Electric inventory costs, we noted multiple items for which the inventory cost was not calculated correctly based upon the most recent invoices.

Additionally, many items we selected for test counts during our inventory count have not been purchased in the last 7 years, therefore, there was no invoice available to review the cost of these inventory items. Based on discussion with City officials, there is not a formal policy for disposal of obsolete inventory.

Cause: It was determined that one of the primary causes for these differences is due to the City's materials management software not properly calculating the average cost of inventory items. Additionally, the City does not have a formal policy on disposal of obsolete inventory.

Effect: Inventory values are potentially misstated due to the incorrect calculation of average cost. Second, obsolete inventory is not tracked and adjusted for potential impairment.

Recommendation: We recommend the City regularly monitor the inventory cost values and undertake a full analysis of all inventory items to ensure the average cost is properly calculated within the inventory management system. Additionally, we recommend that the City create a formal policy over its inventory in order to ensure that there are adequate processes in place to record, track, and maintain adequate inventory records and establish a reserve for obsolete inventory by fund.

Status: This finding was repeated for the year ended December 31, 2025 and is also reported in Section II - Financial Statement Findings as finding 2025-001.



**Fiscal Year 2025
City of Rochelle
Corrective Action Plan**

Finding Number: 2025-001

Finding Name: Inventory

Finding Condition(s):

Condition: During our testing of the City's Electric inventory, we noted certain opportunities for the City to improve its internal control over its Electric inventory. During our review of Electric inventory costs, we noted multiple items for which the inventory cost was not calculated correctly based upon the most recent invoices. Additionally, many items selected for test counts during the inventory count have not been purchased in the last seven years; therefore, no invoice was available to review the cost of these inventory items. Based on discussions with City officials, there is no formal policy for the disposal of obsolete inventory.

Name of Contact Person(s): Blake Toliver, Electric Superintendent 815-561-2034 and Andy Rogde, Electric Storekeeper 815-561-2041

Corrective Action(s): The City plans to adopt a formal inventory policy by December 31, 2026. The policy will update the City's inventory capitalization thresholds and establish procedures for reviewing inventory cost values, identifying and disposing of obsolete inventory, and recording any necessary adjustments or reserves by fund. Until the policy is adopted, Electric Department staff will continue to review inventory cost values in VUEWorks and correct identified discrepancies.

Anticipated Completion Date: December 31, 2026