

UNITED CITY OF YORKVILLE, ILLINOIS

MANAGEMENT LETTER

FOR THE FISCAL YEAR ENDED
APRIL 30, 2014



August 20, 2014

The Honorable City Mayor
Members of the City Council
United City of Yorkville, Illinois

In planning and performing our audit of the financial statements of the United City of Yorkville, Illinois, for the year ended April 30, 2014, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

We do not intend to imply that our audit failed to disclose commendable aspects of your system and structure. For your consideration we herein submit our comments and suggestions which are designed to assist in effecting improvements in internal controls and procedures. Those less significant matters, if any, which arose during the course of the audit, were reviewed with management as the audit fieldwork progressed.

The accompanying comments and recommendations are intended solely for the information and use of the Finance Committee, City Council, management, and others within the United City of Yorkville, Illinois.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various City personnel. We would be pleased to discuss our comments and suggestions in further detail with you at your convenience, to perform any additional study of these matters, or to review the procedures necessary to bring about desirable changes.

We commend the finance department for the well prepared audit package and we appreciate the courtesy and assistance given to us by the entire City staff.

Lauterbach + Amen LLP

LAUTERBACH & AMEN, LLP

CURRENT RECOMMENDATIONS

1. **GASB STATEMENT NO. 67 FINANCIAL REPORTING FOR PENSION PLANS AND GASB STATEMENT NO. 68 ACCOUNTING AND FINANCIAL REPORTING FOR PENSIONS**

Comment

In June 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 67, *Financial Reporting for Pension Plans*, which applies to individual pension plans issuing their own audited financial statements, and Statement No. 68, *Accounting and Financial Reporting for Pensions*, which applies to the state and local government employers that sponsor pension plans. The Statements apply to the reporting of the Illinois Municipal Retirement Fund (IMRF) and Police Pension Fund for the City. The Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to the pension plans. The Statements specifically identify the methods and assumptions that are to be used in calculating and disclosing these pension-related accounts in the financial statements and also provide for additional note disclosures and required supplementary information. The Statements are intended to improve information provided by state and local government employers regarding financial support to their pension plans, and ultimately requires that the total net pension liabilities of the pension plans be recorded on the face of the financial statements of the sponsoring government. GASB Statement No. 67 is applicable to the separately issued financial statements of the pension plan(s) for the year ended April 30, 2015. GASB Statement No. 68 is applicable to the City's financial statements for the year ended April 30, 2016.

Recommendation

We recommend that the City reach out to the private pension actuary engaged to provide the pension fund actuarial calculations (IMRF will automatically be providing the necessary information to all member agencies) in order to confirm the timeline for implementation and to review requested materials that will be required in order to implement the provisions and requirements of the new Statements. Lauterbach & Amen, LLP will also work directly with the City to assist in the implementation process, including assistance in determining the implementation timeline with the City and private actuary, providing all framework for the financial statements in order to complete the implementation, and assisting in answering any questions or concerns the City or pension fund(s) might have related to the implementation process or requirements.

CURRENT RECOMMENDATIONS – Continued

2. FUNDS OVER BUDGET

Comment

During our current year-end audit procedures, we noted that the following funds had an excess of actual expenditures over budget for the fiscal year:

<u>Fund</u>	<u>Excess</u>
Library	\$ 70,130
Countryside TIF	40,042

Recommendation

We recommend the City investigate the causes of the funds over budget and adopt appropriate future funding measures.

Management Response

The Library Fund was over budget due to the issuance of the General Obligation Library Refunding Bonds of 2013, which refunded the General Obligation Library Bonds of 2005B. This refunding will save taxpayers \$331,094 in present value debt service savings over the remaining life of the bond.

The Countryside TIF Fund was over budget due to the issuance of the General Obligation Refunding Alternate Revenue Source Bonds of 2014, which refunded the General Obligation Alternate Revenue Source Bonds of 2005. These bonds were refunded for the purposes of mitigating negative equity in the fund and to ease cash flow constraints.

PRIOR RECOMMENDATIONS

1. **GASB STATEMENT NO. 61 – THE FINANCIAL REPORTING ENTITY:
OMNIBUS – AN AMENDMENT OF GASB STATEMENTS NO. 14 AND NO. 34**

Comment

In November 2010, the GASB issued Statements No. 61: The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34. The objective of Statement No. 61 is to improve financial reporting for a governmental financial reporting entity. Specifically, it modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, and financial reporting entity display and disclosure requirements. Furthermore, Statement No. 61 identifies and clarifies the criterion for discrete presentation of component units as well as the criterion for blending (reporting as a fund of the primary government). The effective date for the City is for the April 30, 2014 fiscal year.

Recommendation

We recommended that the City review with us through the next audit process any potential related entities, joint ventures, component units, etc. to ensure proper reporting under GASB Statement No. 61.

Status

As of April 30, 2014, this comment has been implemented and will not be repeated in the future.

PRIOR RECOMMENDATIONS – Continued

2. FUNDS WITH DEFICIT FUND EQUITY

Comment

Previously and during the current year-end audit procedures, we noted funds with deficit fund equity. See the following deficit fund balances at April 30, 2014 and April 30, 2013:

Fund	Deficit	
	4/30/14	4/30/13
Countryside TIF	\$ (534,087)	1,572,335
Municipal Building	-	(571,615)
Recreation Center	-	(301,624)

Recommendation

We recommended the City investigate the causes of the various deficits and adopt appropriate future funding measures.

Management Response

The Recreation Center Fund ceased operations effective June 30, 2013 and was closed out by an interfund transfer from the Parks and Recreation fund in fiscal year 2014. The Municipal Building Fund has been closed out by an interfund transfer from the General Fund in fiscal year 2014.

Management is aware of the negative equity position of the Countryside TIF Fund and believes that over time the development within the TIF district will yield sufficient property tax increment to meet debt service requirements and eliminate the fund's negative equity.

Status

As of April 30, 2014, this comment has not been implemented and will be repeated in the future.

PRIOR RECOMMENDATIONS – Continued

3. **FUNDS NOT IN COMPLIANCE WITH FUND BALANCE POLICY**

Comment

Previously and during our current year-end audit procedures, we noted the following funds with fund balances that were not in compliance with the Council’s approved fund balance policy:

	Per 2014 Budget	Fund Balance per CAFR	Amount Not In Compliance
Recreation Center Fund			
Minimum			
Budget Expenditures	\$ 234,086		
x 25% per Policy	25%		
	58,522	-	(58,522)

	Per 2013 Budget	Fund Balance per CAFR	Amount Not In Compliance
Recreation Center Fund			
Minimum			
Budget Expenditures	\$ 703,633		
x 25% per Policy	25%		
	175,908	(301,624)	(477,532)

Recommendation

We recommended the City investigate the fund balances and adopt future budgets to address the above funds that are not in compliance with the City’s fund balance policy.

Status

As of April 30, 2014, the Recreation Center Fund was closed, therefor this comment has been implemented and will not be repeated in the future.

PRIOR RECOMMENDATIONS – Continued

4. FUND STRUCTURE

Comment

Previously and during our current year-end audit procedures, we noted several funds that we would recommend that the City collapse for external reporting in the Comprehensive Annual Financial Report.

Recommendation

We recommended that the City review its fund structure. Collapsing funds would meet the minimum number of funds philosophy and present the Comprehensive Annual Financial Report in a more concise and easier understood format.

Status

As of April 30, 2014, this comment has been implemented and will not be repeated in the future.