

UNITED CITY OF YORKVILLE, ILLINOIS

MANAGEMENT LETTER

**FISCAL YEAR ENDED
APRIL 30, 2013**

August 23, 2013

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, 2013, 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

CURRENT 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 recommend that 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.

PRIOR RECOMMENDATIONS

1. FUNDS WITH DEFICIT FUND EQUITY

Comment

Previously and during the current year-end audit procedures, we noted several funds with deficit fund equity. See the following deficit fund balances at April 30, 2013 and April 30, 2012:

Fund	Deficit	
	4/30/13	4/30/12
Land Cash	\$ 121,420	(294,778)
Municipal Building	(571,615)	(579,374)
Recreation Center	(301,624)	(220,001)

Recommendation

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

Management Response

Management is aware of the deficit fund balance/net position of the Municipal Building and Recreation Center Funds and has addressed this issue in the fiscal year 2014 budget. The Recreation Center Fund has ceased operations effective June 30, 2013 and will be closed out via an interfund transfer from the Parks and Recreation fund over the course of fiscal year 2014. The Municipal Building Fund has been consolidated into the Citywide Capital Fund and its deficit fund equity position will be eliminated with a transfer from the General Fund.

Status

As of April 30, 2013, this comment has not been implemented and will be repeated in the future.

PRIOR RECOMMENDATIONS – Continued

2. **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:

Fiscal Year Ended April 30, 2013:

	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)

Fiscal Year Ended April 30, 2012:

	Per 2012 Budget	Fund Balance per CAFR	Amount Not In Compliance
General Fund			
Minimum			
Budget Expenditures	\$ 9,766,042		
x 15% per Policy	15%		
	1,464,906	1,270,623	(194,283)
 Recreation Center Fund			
Minimum			
Budget Expenditures	691,738		
x 25% per Policy	25%		
	172,935	(220,001)	(392,936)

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.

PRIOR RECOMMENDATIONS – Continued

2. FUNDS NOT IN COMPLIANCE WITH FUND BALANCE POLICY – Continued

Management Response

The deficit net position of the Recreation Center Fund will be eliminated via an interfund transfer from the Parks and Recreation Fund pursuant to the fiscal year 2014 adopted budget.

Status

As of April 30, 2013, this comment has not been implemented and will be repeated in the future.

3. 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.

Management Response

Management has consolidated the Police Capital, Public Works Capital and Parks and Recreation Capital Funds into a new fund called the Vehicle and Equipment Fund, as shown in the fiscal year 2014 budget. In addition, management will continue to review the City's existing fund structure and make recommendations regarding possible consolidation, as it deems necessary.

Status

As of April 30, 2013, this comment has not been implemented and will be repeated in the future.