

UNITED CITY OF YORKVILLE, ILLINOIS

MANAGEMENT LETTER

**FISCAL YEAR ENDED
APRIL 30, 2012**

August 15, 2012

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, 2012, 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. FUNDS WITH DEFICIT FUND EQUITY

Comment

During our year end audit procedures, we noted several funds with deficit fund equity. See the following deficit fund balances at April 30, 2012:

<u>Fund</u>	<u>Deficit</u>
Land Cash	\$ 294,778
Municipal Building	579,374
Recreation Center	220,001

Recommendation

We recommend 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 asset position in these funds and plans to address this issue during the annual budget process.

CURRENT RECOMMENDATIONS – Continued

2. FUNDS NOT IN COMPLIANCE WITH FUND BALANCE POLICY

Comment

During our 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 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 recommend 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.

Management Response

Management believes that the General Fund will be in compliance with the City’s fund balance policy by the end of fiscal year 2013. Current projections, based on fiscal year 2012 actual and fiscal year 2013 budgeted numbers, estimate fund balance to be at 22% of budgeted expenditures (excluding interfund transfers) by fiscal year end 2013.

The net asset position of the Recreation Center Fund will be determined by the future policy decisions of the City Council.

CURRENT RECOMMENDATIONS – Continued

3. FUND STRUCTURE

Comment

During our 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 recommend 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 will review the City's current fund structure and make recommendations regarding possible consolidation to the City Council as part of the annual budget process.