

UNITED CITY OF YORKVILLE,  
ILLINOIS

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MANAGEMENT LETTER

FOR THE FISCAL YEAR ENDED  
APRIL 30, 2019



September 20, 2019

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 (City), Illinois, for the year ended April 30, 2019, 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

## PRIOR RECOMMENDATIONS

1. **FUNDS OVER BUDGET**

Comment

Previously, we noted that the following funds had an excess of actual expenditures over budget for the fiscal year:

<u>Fund</u>	<u>Excess</u>
Downtown TIF	\$ 522,305

Recommendation

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

Management Response

The Downtown TIF Fund was over budget due to the issuance of a bank loan in the amount of \$800,000; the proceeds of which were used to acquire property at 102 East Van Emmon Street in the City's downtown. A resolution approving the purchase of property, and the corresponding bank loan, was approved by City Council on April 11, 2017. The flow of funds related to the bank loan transaction are offsetting, and thus have no impact on ending fund balance.

Status

This comment has been implemented and will not be repeated in the future.

## PRIOR RECOMMENDATIONS – Continued

2. **GASB STATEMENT NO. 74 FINANCIAL REPORTING FOR POST-EMPLOYMENT BENEFIT PLANS OTHER THAN PENSION PLANS AND GASB STATEMENT NO. 75 ACCOUNTING AND FINANCIAL REPORTING FOR POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS**

### Comment

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 74, *Financial Reporting for Post-Employment Benefits Plans Other Than Pension Plans*, which applies to individual postemployment benefit plans, and Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*, which applies to the state and local government employers that sponsor the plans. The Statements apply to the reporting of other post-employment benefits, including medical, dental, life, vision and other insurance coverages provided by the employer post-employment. The Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to the other post-employment benefit plans, and specifically identify the methods and assumptions that are to be used in calculating and disclosing these OPEB accounts in the financial statements. The Statements also provide for additional note disclosures and required supplementary information and are intended to improve information provided by state and local government employers regarding financial support to their OPEB plans. GASB Statement No. 75 applies to the employer's reporting of other post-employment benefit plans and is applicable to the City's financial statements for the year ended April 30, 2019.

### Recommendation

We recommended that the City reach out to the private pension actuary engaged to provide the OPEB actuarial calculations 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 assist in answering any questions or concerns the City might have related to the implementation process or requirements.

### Status

This comment has been implemented and will not be repeated in the future.

## PRIOR RECOMMENDATIONS – Continued

### 3. 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, 2019 and April 30, 2018:

Fund	Deficit	
	4/30/19	4/30/18
Land Cash	\$ -	(278,204)
Sunflower Special Service Area	(22,626)	(21,251)
Countryside TIF	(422,459)	(459,820)
Downtown TIF	(1,024,518)	(681,305)
Downtown TIF II	(2,736)	-

#### 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 negative equity position of the Countryside TIF, Downtown and Downtown II TIF Funds, and believes that over time the development within the TIF districts will yield sufficient property tax increment to meet debt service requirements and eliminate the fund's negative equity.

The negative equity position of the Land Cash Fund was temporary, as a result of the construction activities that took place at the Riverfront and Bristol Bay park sites prior to the current fiscal year. The City will be reimbursed for both of these projects in the subsequent fiscal year by the State, through its Open Space Lands Acquisition and Development (OSLAD) grant program. The City has recorded a receivable at the end of the current fiscal year in anticipation of these grant proceeds, thus eliminating the negative equity position of the fund.

The deficit in the Sunflower Special Service Area Fund is due to one-time expenditures relating to the naturalization of three detention basins within the SSA. This project will be paid back with SSA property tax proceeds over the next six years.

#### Status

As of April 30, 2019, this comment has not been implemented and will be repeated in the future.