

VILLAGE OF ELK GROVE VILLAGE, ILLINOIS

MANAGEMENT LETTER

FOR THE FISCAL YEAR ENDED
APRIL 30, 2015



October 21, 2015

The Honorable Mayor
Members of the Board of Trustees
Village of Elk Grove Village, Illinois

In planning and performing our audit of the financial statements of the Village of Elk Grove Village, Illinois, for the year ended April 30, 2015, 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, Board of Trustees, management, and others within the Village of Elk Grove Village, 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 Village 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 Village staff.

Lauterbach & Amen LLP
LAUTERBACH & AMEN, LLP

PRIOR 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), Police Pension Fund and Firefighters' Pension Fund for the Village. 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 Village's financial statements for the year ended April 30, 2016.

Recommendation

We recommended that the Village 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 Village to assist in the implementation process, including assistance in determining the implementation timeline with the Village 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 Village or pension fund(s) might have related to the implementation process or requirements.

Status

This comment has yet to be implemented but will be implemented in the April 30, 2016 Comprehensive Annual Financial Report.

PRIOR RECOMMENDATIONS – Continued

2. FUNDS WITH DEFICIT FUND EQUITY

Comment

Previously and during our current year-end audit procedures, we noted funds with deficit fund equity. See the following funds and the April 30, 2015 fund equity compared to the April 30, 2014 fund equity:

<u>Fund</u>	<u>April 30, 2015</u>	<u>April 30, 2014</u>
Grove Mall Development	\$ (1,771,189)	(2,391,418)
Devon/Rohlwing Redevelopment	(392,014)	(404,956)
Busse/Elmhurst Redevelopment	(268,874)	(97,436)

Recommendation

The Grove Mall Development, Devon/Rohlwing Redevelopment, and Busse/Elmhurst Redevelopment Funds are tax incremental funds that are supported by incremental taxes generated within the TIF. Although the funds were established with the understanding that deficits would be made whole by future incremental taxes, we recommend the Village review budgetary expectations for these funds on an annual basis.

Management Response

The Grove Mall Development TIF, Devon/Rohlwing Redevelopment TIF, and Busse/Elmhurst Redevelopment TIF were specifically created and adopted by the Village Board with an advance from the General Fund and designed to be repaid from future property taxes collected.

Status

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