

VILLAGE OF VERNON HILLS, ILLINOIS

MANAGEMENT LETTER

April 30, 2016





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Certified Public Accountants & Advisors
Members of American Institute of Certified Public Accountants

The Honorable President
Members of the Board of Trustees
Village of Vernon Hills, Illinois

Ladies and Gentlemen:

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of Vernon Hills, Illinois (the Village) as of and for the year ended April 30, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the Village's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses and therefore material weaknesses may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected, on a timely basis.

The Village's written responses to these matters identified in our audit have not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of the President, the Board of Trustees and management and others within the administration of the Village and is not intended to be and should not be used by anyone other than these specified parties.

Sikich LLP

Naperville, Illinois
October 10, 2016

MATERIAL WEAKNESSES

We consider the following to be material weaknesses over internal controls

Prior Period Adjustments

During our audit of the Village, we noted certain balances that were misstated as April 30, 2015.

During our testing of state shared tax revenues, we noted that both the sales tax revenue and the use tax revenue were not being recognized in accordance with GASB Statement No. 33. Additionally, during our testing of the 911 surcharge revenue, we noted that there was a receivable balance that had not been collected from the prior year. After investigation by the Finance Director, this required a prior period adjustment as the receivable was not valid. During our testing of long-term debt, we noted that the Village had not been historically capitalizing and recording unamortized bond premiums and unamortized loss on refundings, but rather were expensing these as incurred. Finally, we identified an instance in which the Village was improperly recognizing revenue related to sales taxes.

We proposed journal entries, which were reviewed, approved, and recorded by the Village to correct these misstatements.

Management Response

The Village staff has reviewed the findings and have made the corrections as suggested. To prevent any issues with accruals of revenue in the future, a new monthly close and audit process will be implemented to increase oversight of these processes. Substantial research has been completed by staff to restore accounting for previously unamortized bond premiums and historical losses on refundings, which are now accurately presented as of April 30, 2016.