

VILLAGE OF VERNON HILLS, ILLINOIS

MANAGEMENT LETTER

FISCAL YEAR ENDED APRIL 30, 2014



August 13, 2014

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

In planning and performing our audit of the financial statements of the Village of Vernon Hills, Illinois, for the year ended April 30, 2014, 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 field work 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 Vernon Hills, 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

CURRENT 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) and Police 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 plans 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 recommend 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 might have related to the implementation process or requirements.

PRIOR RECOMMENDATIONS

1. FUNDS WITH DEFICIT FUND EQUITY

Comment

Previously, we noted a fund with deficit fund equity. See the following April 30, 2013 fund equity compared to the April 30, 2014 fund equity:

	<u>April 30,</u> <u>2013</u>	<u>April 30,</u> <u>2014</u>
Tax Increment	(\$498,253)	\$179,799

Recommendation

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

Status

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

2. FUNDS NOT IN COMPLIANCE WITH FUND BALANCE/NET POSITION POLICY

Comment

Previously and during our current year-end audit procedures, we noted that the Golf Course's net position was not in compliance with the Board approved fund balance policy. See the following April 30, 2013 net position compared to the April 30, 2014 net position:

	<u>Per 2013</u> <u>Financials</u>	<u>Unrestricted Fund</u> <u>Balance per CAFR</u>	<u>Amount Not In</u> <u>Compliance</u>
Golf Course Fund			
Minimum			
Operating Expenditures	\$ 489,083		
X's 3/12 months per policy	<u>25%</u>		
	122,271	(241,159)	363,430

PRIOR RECOMMENDATIONS – Continued

2. **FUNDS NOT IN COMPLIANCE WITH FUND BALANCE/NET POSITION POLICY – Continued**

	Per 2014 Financials	Unrestricted Fund Balance per CAFR	Amount Not In Compliance
Golf Course Fund			
Minimum			
Operating Expenditures	\$ 447,154		
X's 3/12 months per policy	25%		
	111,789	(222,509)	334,298

Recommendation

We recommended the Village investigate the net position amount not in compliance with Village policy, adopt future budgets to address this issue, and review future funding for the Golf Course Fund.

Status

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

3. **FUNDS OVER BUDGET**

Comment

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

Fund	Excess
Dispatch Center	\$ 51,873

Recommendation

We recommended the Village investigate the causes of the fund over budget and adopt appropriate future funding measures.

Status

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

PRIOR RECOMMENDATIONS – Continued

4. **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 Village is for the April 30, 2014 fiscal year.

Recommendation

We recommended that the Village 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.

Status

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