



## Agenda Item Summary

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**File #:** ID 22-123, **Version:** 1

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### **Submitted By**

Steven Drazner, Chief Financial Officer

### **Reviewed By**

A.M. Zayyad

### **Agenda Item Title**

**Review and Discussion of the Fiscal Year 2021 Annual Comprehensive Financial Report (ACFR), Single Audit, Board Communication Letters, and all Other Supporting Documents**

### **Overview**

The Village Board meets to review and discuss the Annual Comprehensive Financial Report, Board Communication Letter (Management Letter), Communication of Deficiencies Letter, Single Audit, and TIF Compliance Report for the year ending December 31, 2021. These audit reports will be presented by the Village's independent auditing firm, Sikich LLP. These final audit documents will be presented to the Village Board on Tuesday, June 21, 2022, for acceptance. The Village is required to file the audit with the State by June 30.

### **Staff Recommendation**

This is an annual meeting in which the Village's auditor presents and reviews information in the Audit with the Village Board. Final adoption is scheduled for the Regular Meeting on June 21, 2022.

### **Background**

Presented for your review and information are the Village's annual financial audit (ACFR or Annual Comprehensive Financial Report) and the Single Audit for the calendar year ending December 31, 2021. The audit was performed by Sikich LLP with Jim Savio as the Partner on the engagement. Consistent with past practice, also presented is the Auditor's Communication Letter to the Board of Trustees containing the adjusting entries along with the Management and the Communication of Deficiency Letters.

Pursuant to Section 2-6-3 of the Municipal Code, as soon as practicable at the close of each fiscal year, and no later than six (6) months thereafter, there shall be an independent audit of all accounts of the Village, conducted independently of the Village Manager, made by a competent person authorized to act as an auditor under the laws of the State to be selected by the Board of Trustees.

In addition, acceptance of the audit is required prior to being submitted to the State which has a June 30 deadline. The Single Audit must be filed with the Federal Clearinghouse within 30 days after receipt from the auditors or nine months after fiscal year-end (September 30, 2022), whichever occurs first.

In addition to the ACFR, Sikich has released the Auditor's Communication to the Board of Trustees which

includes a description of the audit process, adjusting journal entries made pursuant to the audit as well as the Management Letter which is a report intended to be used by the Board of Trustees, although the Village releases this document publicly as well. The Management Letter generally identifies matters that the independent auditor believes will assist the organization moving forward.

Fiscal year 2021 is the fifth consecutive year in which there were no auditor comments made in the Management Letter and this is a significant achievement.

In addition, the auditors issue a Communication of Deficiencies in Internal Control report which is typically only intended for village management but is being included as part of this agenda item for complete transparency. The purpose of this report is to provide management with feedback in areas where internal controls can be improved or in instances where less severe issues are discovered by the auditors not warranting a more serious management letter comment.

For the year ending December 31, 2021, there was only one repeat comment in the Communication of Deficiencies report regarding the water pump to bill ratio. The percentage of water loss improved compared to 2020, from approximately 29% to 20%. However, some of this loss is accounted for and additional details are in the staff response contained in the report.

The overall purpose of the financial audit is to determine if the financial records and reports of the Village are presented fairly and whether the Village has complied with applicable laws and regulations. The auditor's opinion letter located in the CAFR conveys to the public that the statements are presented fairly, in all material respects, in accordance with the US generally accepted accounting principles.

Finally, and of utmost importance, Sikich LLP has provided the Village with an unqualified opinion of the Village's financial position which is the highest level of assurance an auditor can provide at the conclusion of an audit. Upon adoption of the audit reports by the Board, Staff will apply for the Fiscal Year 2021 GFOA Certificate of Achievement Award for Financial Reporting Excellence.