



## Agenda Item Summary

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**File #:** ID 17-508, **Version:** 1

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### **Submitted By**

Steven Drazner, Finance

### **Reviewed By**

CLP

### **Agenda Item Title**

**Review and Discuss the FY 2016 Comprehensive Annual Financial Report (CAFR) and Supporting Documents.**

### **Overview**

Consistent with past practice, the Finance Committee of the Village Board will meet to review the annual audit and CAFR for the year ending December 31, 2016. The Audit will be presented by the Village's independent auditing firm, Sikich, prior to their presentation to the Village Board on Monday, June 19, 2017 for acceptance. Additionally, the Village must file the audit with the State by June 30.

### **Staff Recommendation**

Review and refer to the Village Board for acceptance.

### **Background**

Presented for your review and information is the Village's annual financial audit (CAFR or Comprehensive Financial Annual Report) for the calendar year ending December 31, 2016. The audit was performed by Sikich LLP with Dan Berg as the partner in-charge. As normal practice, also presented is The Auditor's Communication Letter to the Board of Trustees containing the adjusting entries made in final fieldwork and Management Letter as well as the Communication of Deficiencies Letter.

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 and CAFR is required prior to submittal to the State, annually by June 30<sup>th</sup>.

On November 4, 2013, the Board authorized a contract with Sikich LLP for independent audit services through FY2015 with two optional years for FY2016 and FY2017. On January 17, 2017, the Board approved extending the original agreement to include auditing services for optional year FY2016 in the amount of \$63,378.

In addition to the CAFR, 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.

The Management Letter for the Fiscal Year ending December 31, 2016 includes two auditor comments regarding a variance and reconciliation issue discovered with the Water & Parking Funds and the collateralization of a separate bank account used to deposit parking meter coins. Village responses have been incorporated into these two auditor comments.

In addition, the auditors also issue a Communication of Deficiencies in Internal Control report which is typically only viewed by village management but is being included in this agenda item for transparency purposes. The purpose of this report is to provide management with feedback in areas where internal controls can be improved. For the year ending December 31, 2016, there were four comments focused on outstanding A/P checks, water billing ratios, year-end deficit balances, and budgetary compliance. Village responses to these items have been included.

The purpose of the financial audit is to determine whether the financial reports of the Village are presented fairly and whether the Village has complied with applicable laws and regulations. The Village's audited financial statements convey to the public that the statements are presented in accordance with generally accepted accounting principles.

Please be aware that beginning with the 2015 audit, pursuant to a new accounting standard total pension liabilities are now included as part of the Village's Statement of Net Position (balance sheet) whereas prior to 2015, this liability was merely shown as a note disclosure to the financial statements. This new standard resulted in an approximate decline of \$140 million (from a positive \$73M to a negative \$67M) in governmental activities net position. There was also a further decline of approximately \$15M in net position as of 12/31/16, primarily due to additional debt issued last year.

Of important note, Sikich LLP has provided the Village with an unqualified opinion of the Village's financial position. In addition, staff will apply for the 2016 GFOA Certificate of Achievement Award for Financial Reporting Excellence.