



Agenda Item Summary

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Submitted By

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Reviewed By

LKS

Agenda Item Title

Review and Discuss the Draft Fiscal Year 2018 Comprehensive Annual Financial Report (CAFR), Single Audit, and all Supporting Documents

Overview

The Village Board will meet to review the draft annual CAFR and Single Audit for the year ending December 31, 2018. The draft Audits will be presented by the Village's independent auditing firm, Sikich. Subsequently, the final Audit documents will be presented to the Village Board on Monday, June 17, 2019 for acceptance. The Village is required to file the audit with the State by June 30th.

Staff Recommendation

This is an annual meeting in which the Village's auditor presents and reviews information in the draft Audit with the Village Board. Final adoption is scheduled for the Regular Meeting on June 17, 2019.

Background

On September 17, 2018, the Board authorized the Village Manager to execute a contract with Sikich LLP for independent audit services for fiscal years 2018 through 2020 in an amount totaling \$201,836 (excluding the OPPL fees which were included under the proposal) with two optional years for FY2021 and FY2022 in an amount totaling \$144,551.

Presented for your review and information is the Village's annual financial audit (CAFR or Comprehensive Financial Annual Report) and the Single Audit for the calendar year ending December 31, 2018. 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 made in final fieldwork along with the Management Letter and 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 is required prior to being submitted to the State which has a June 30th 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, 2019), whichever occurs first.

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.

Fiscal year 2018 is the second 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 when less severe issues are discovered by the auditors not warranting a management letter comment. For the year ending December 31, 2018, there were two additional comments. The first comment is regarding segregating the ability to process outgoing wire transfers and the second comment pertains to a prior period adjustment related to bonds issued for the Colt Westgate garage development.

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 US generally accepted accounting principles.

Finally and of upmost 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. Staff will also apply once again for the 2018 GFOA Certificate of Achievement Award for Financial Reporting Excellence.