

VILLAGE OF ELK GROVE VILLAGE, ILLINOIS

MANAGEMENT LETTER

FOR THE FISCAL YEAR ENDED
APRIL 30, 2017



October 3, 2017

The Honorable Mayor
Members of the Board of Trustees
Village of Elk Grove Village, Illinois

In planning and performing our audit of the financial statements of the Village of Elk Grove Village, Illinois, for the year ended April 30, 2017, 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 fieldwork 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 Elk Grove Village, 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. 74 FINANCIAL REPORTING FOR POST-EMPLOYMENT BENEFIT PLANS OTHER THAN PENSION PLANS AND GASB STATEMENT NO. 75 ACCOUNTING AND FINANCIAL REPORTING FOR POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS**

Comment

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 74, *Financial Reporting for Post-Employment Benefits Plans Other Than Pension Plans*, which applies to individual postemployment benefit plans, and Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*, which applies to the state and local government employers that sponsor the plans. The Statements apply to the reporting of other post-employment benefits, including medical, dental, life, vision and other insurance coverages provided by the employer post-employment. The Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to the other post-employment benefit plans, and specifically identify the methods and assumptions that are to be used in calculating and disclosing these OPEB accounts in the financial statements. The Statements also provide for additional note disclosures and required supplementary information and are intended to improve information provided by state and local government employers regarding financial support to their OPEB plans. GASB Statement No. 75 applies to the employer's reporting of other post-employment benefit plans and is applicable to the Village's financial statements for the year ended April 30, 2019.

Recommendation

We recommend that the Village reach out to the private pension actuary engaged to provide the OPEB actuarial calculations 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 assist in answering any questions or concerns the Village might have related to the implementation process or requirements.

Management Response

The Village has been in contact with our private actuary that currently provides OPEB actuarial calculations in order to prepare for implementation for the fiscal year ended April 30, 2019.

PRIOR RECOMMENDATION

1. FUNDS WITH DEFICIT FUND BALANCE

Comment

Previously and during our current year-end audit procedures, we noted funds with deficit fund balance. See the following funds and the April 30, 2017 fund balance compared to the April 30, 2016 fund balance:

<u>Fund</u>	<u>April 30, 2017</u>	<u>April 30, 2016</u>
Grove Mall Development	\$ (1,018,499)	(1,118,425)
Devon/Rohlwing Redevelopment	(367,495)	(378,038)
Busse/Elmhurst Redevelopment	(16,085,990)	(1,259,039)

Recommendation

The Grove Mall Development, Devon/Rohlwing Redevelopment, and Busse/Elmhurst Redevelopment Funds are tax incremental funds that are supported by incremental taxes generated within the TIF. Although the funds were established with the understanding that deficits would be made whole by future incremental taxes, we recommend the Village review budgetary expectations for these funds on an annual basis.

Management Response

The Grove Mall Development TIF, Devon/Rohlwing Redevelopment TIF, and Busse/Elmhurst Redevelopment TIF were specifically created and adopted by the Village Board with an advance from the General Fund and designed to be repaid from future property taxes collected.

The negative fund balance in the Grove Mall & Devon/Rohlwing Redevelopment TIFs continue to decrease annually as designed. The Busse/Elmhurst TIF property tax receipts are delayed due to the unforeseen 2015 EAV decreasing below the frozen or base EAV when this TIF was established. However, the 2016 EAV has increased above the frozen EAV and property tax receipts have begun to be collected in the fiscal year 2017-2018 which will also give better insight into budgeting for this TIF.

Status

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