

TO: Finance Committee Members
William T. Lichter, Village Manager
Leonard J. Flood, Director of Finance

FROM: Tim Sexton, Assistant Director of Finance
Anne M. Fairbairn, Accounting Manager

DATE: December 10, 2011

SUBJECT: Responses to the FYE 2005 Management Letter

The FYE 2005 Management Letter comments from the Village auditors Lauterbach & Amen are enclosed for your review. The staff response to the Management Letter comments is as follows:

1. GASB STATEMENT 40 – DEPOSIT AND INVESTMENT AND INVESTMENT RISK DISCLOSURES

Management Letter Recommendation: The Village needs to provide the fair value, interest rate and maturity date for each investment held at year-end. The disclosure for the Statement will outline the four types of risk (i.e. interest rate risk, credit risk, concentration of credit risk and foreign currency risk), any legal requirements related to the four types of risk and any risk requirements stated in the Village's deposit and investment policy.

Staff Response: The Village will be implementing during the Fiscal Year 2006 audit. Our current investment schedules provide the information required for each investment the Village holds at the end of the fiscal year. Staff will be working with the auditors and financial institutions to retrieve the types of risk associated with the investments.

2. GASB EXPOSURE DRAFT – FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS

Management Letter Recommendation: An actuarial valuation will be required at least biennially for other post employment benefit (healthcare and life insurance) plans because our total membership is 200 or more employees in active service, terminated employees who have accumulated benefits but are not yet receiving them and retired employees and beneficiaries currently receiving benefits.

Staff Response: This is another complicated technical comment, which the auditors are educating their clients. Additionally, staff has attended and will be attending additional training opportunities offered by IGFOA. The Village will have to implement the Statement for the fiscal year ending May 31, 2009.

PRIOR RECOMMENDATIONS

1. CONSTRUCTION DEPOSITS

Management Letter Recommendation: The Village establishes policies and procedures (with a thorough review of all related accounts) that provides for construction deposits to be refunded on a timely basis avoiding the need to remit these deposits as unclaimed property to the State of Illinois.

Status: The Village has implemented this comment and it will not be repeated in the future.

The auditors will be in attendance at the January 17th meeting to answer any questions regarding these issues.

cc: Village President & Board of Trustees
All Department Heads