

VILLAGE OF LOMBARD
REQUEST FOR BOARD OF TRUSTEES ACTION
For Inclusion on Board Agenda

 Resolution or Ordinance (Blue)
 X Recommendations of Boards, Commissions & Committees (Green)
 Other Business (Pink)

TO: PRESIDENT AND BOARD OF TRUSTEES

FROM: Scott Niehaus, Village Manager

DATE: September 24, 2019 (COW)(B of T) Date: October 3, 2019

TITLE: A Motion to Accept and File with the Village Clerk the 2018 Comprehensive Annual Financial Report, Management Letter, Current Recommendation, and Audit Finding with Corrective Action Plan.

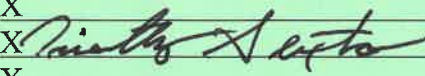
SUBMITTED BY: Timothy Sexton, Director of Finance

BACKGROUND/POLICY IMPLICATIONS:

The Finance and Administration Committee voted unanimously to recommend that the Village Board accept and place on file with the Village Clerk the FYE 2018 Comprehensive Annual Financial Report and Management Letter. The FYE 2018 Comprehensive Annual Financial Report and the Management Letter are attached. The FYE 2018 Management Letter from the Village auditors Lauterbach & Amen addressed the current recommendation regarding Capital Asset Appraisal. The 2018 Audit Finding regarding Fund Balance Restatement was completed during the audit. The change to fixed assets to match the Village's fixed asset policy thresholds required a write-off at year end 2018 and triggered a fund balance restatement in order to present materially accurate financial statements.

Fiscal Impact/Funding Source: N/A

Review (as necessary):

Village Attorney	X	_____	Date	_____
Finance Director	X		Date	9/25/19
Village Manager	X	_____	Date	_____

NOTE: All materials must be submitted to and approved by the Village Manager's Office by 12:00 noon, Wednesday, prior to the Agenda Distribution.

VILLAGE OF LOMBARD, ILLINOIS

MANAGEMENT LETTER

FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2018



May 14, 2019

The Honorable Village President
Members of the Board of Trustees
Village of Lombard, Illinois

In planning and performing our audit of the financial statements of the Village of Lombard (Village), Illinois, for the year ended December 31, 2018, 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 field work 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 Lombard, 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 RECOMMENDATION

1. CAPITAL ASSET APPRAISAL

Comment

During our current year-end audit procedures, we noted the Village is in the process of having an appraisal of capital assets performed by an outside appraisal firm. This appraisal will be used to track capital assets. The benefits of an appraisal by an outside appraisal firm include but are not limited to 1) records for insurance purposes and 2) provide records of capital assets, including real property that the Village owns for financial reporting purposes.

Recommendation

We recommend that the Village have an outside appraisal firm perform a physical inventory and valuation of all the Village's capital assets. A periodic inspection of the assets should also be compared to this detail listing to ensure that all assets are accounted for on a regular basis. We further recommend that all capitalizable items be budgeted and charged to capital outlay accounts and that these accounts are reconciled each year to the total additions to capital assets.



VILLAGE OF LOMBARD

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Village President
Keith T. Giagnorio

Village Clerk
Sharon Kuderna

Trustees
Dan Whittington, Dist. 1
Anthony Puccio, Dist. 2
Reid Foltyniewicz, Dist. 3
Andrew Honig, Dist. 4
Daniel Militello, Dist. 5
William "Bill" Ware, Dist. 6

Village Manager
Scott R. Niehaus

"Our shared Vision for Lombard is a community of excellence exemplified by its government working together with residents and businesses to create a distinctive sense of spirit and an outstanding quality of life."

"The Mission of the Village of Lombard is to provide superior and responsive governmental services to the people of Lombard."

SECTION 5 – CORRECTIVE ACTION PLAN

Finding 2018 – 001: Fund Balance Restatement

Condition: During audit fieldwork, our testing resulted in a fund balance restatement for capital assets in order to present materially accurate financial statements.

Plan:

Over the past three years, staff completed a thorough review of the Fixed Asset policy and procedures. Staff found that electrical cabinets, EVP equipment, street lights and sidewalks were capitalized as separate fixed asset categories but the individual asset costs are below the required capitalization threshold.

This fall staff decided to remove electrical cabinets, EVP equipment, street lights and sidewalks as individual asset categories to match the thresholds provided in the Village's Fixed Asset policy and improve documentation by utilizing reporting features in our financial software.

This change required a write off of electrical cabinets, EVP equipment, street lights and sidewalks that were added to capital assets in past years. This change triggered a fund balance restatement for capital assets in order to present materially accurate financial statements.

Electrical cabinets, EVP equipment, street lights and sidewalks will be included as part of significant street projects in the future but not as standalone assets.

Anticipated Date of Completion:

Fund balance restatement was completed during the audit fieldwork.