

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: January 10, 2007

SUBJECT: Responses to the FYE 2006 Management Letter

The FYE 2006 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 NO. 43/45 - FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSION PLANS

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. This statement affects the Village's fiscal year ending May 31, 2009 audit.

Staff Response: The Finance department continues to work with the auditors on the requirements for GASB 43/45. Additionally, the Village will be budgeting for the actuarial valuation for the information needed to fulfill the requirements in FY2010.

2. GASB STATEMENT NO. 44: ECONOMIC CONDITION REPORTING: THE STATISTICAL SECTION

Management Letter Recommendation: The Village needs to review the requirements of the statement, and the information disclosed in the current statistical section to determine the information needed to be gathered. The requirements of the statement will need to be implemented for the fiscal year ending May 31, 2007.

Staff Response: This will be another significant change in what's being presented in the current CAFR, and the transition to display the new requirements will be an objective for the Accounting staff during FY07. Steps taken so far include: a) staff has already been to training seminars through IGFOA on the requirements of GASB 44; b) Finance department has already met with

Lauterbach & Amen LLP to have them assist in ensuring the most complete information be provided to meet the provisions of the statement.

PRIOR RECOMMENDATIONS

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.

Status: The Village implemented during the Fiscal Year 2006 audit.

The auditors will be in attendance at the January 16th meeting to answer any questions regarding these issues.

cc: Village President & Board of Trustees
All Department Heads