



To: Village President and Board of Trustees  
William T. Lichter, Village Manager

From: Timothy Sexton, Director of Finance

Date: January 30, 2008

Subject: Fiscal Year 2007 Comprehensive Annual Financial Report and Management Letter Comments

The Finance Committee at their January 15, 2008 meeting reviewed the 2007 Comprehensive Annual Financial Report, Management Letter and staff recommendations prepared in response to the Management Letter comments.

Management letter comment #2, along with the additional letter attached from Lauterbach & Amen, requires further explanation as it was discussed in detail during the Finance Committee meeting. During fiscal year 2007, a new Statement on Auditing Standards, SAS 112, went into effect. This standard requires communication of potential significant deficiencies and material weaknesses over the Village's internal controls. During the fiscal year 2007 audit, as with all previous audits, the auditors booked several audit adjustments. However, with SAS 112, the auditors are now required to issue the separate letter if there are any audit adjustments. As Ron Amen from Lauterbach & Amen discussed during the Finance Committee meeting, 98% of all their audit clients received this letter for their 2007 audit. While Mr. Amen did not feel that this letter is warranted, based on the strong internal controls the Village has in place, he said he was required by this auditing standard to issue the letter. Going forward, staff will be working on reducing and/or eliminating the audit adjustments required during the audit.

The Finance Committee voted unanimously to recommend that the Village Board accept and place on file with the Village Clerk the 2007 Comprehensive Annual Financial Report and Management Letter. In addition, the Finance Committee has unanimously concurred with staff recommendations prepared in response to the Management Letter comments. Village Board approval of these recommendations is requested. The Management Letter, staff responses and the additional letter from Lauterbach & Amen discussed above are attached. The 2007 Comprehensive Annual Financial Report has previously been distributed to the Village Board.