

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: David A. Hulseberg, Village Manager

DATE: January 25, 2011 (COW)(B of T) Date: February 3, 2011

TITLE: A Motion to Accept and File with the Village Clerk the 2010 Comprehensive Annual Financial Report, Management Letter and Recommendations regarding the Management Letter Comments.

SUBMITTED BY: Timothy Sexton, Director of Finance

BACKGROUND/POLICY IMPLICATIONS:

The Finance Committee voted unanimously to recommend that the Village Board accept and place on file with the Village Clerk the 2010 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 2010 Comprehensive Annual Financial Report, the Management Letter and staff responses are attached.

Fiscal Impact/Funding Source: N/A

Review (as necessary):

Village Attorney	<u> X </u>	Date	_____
Finance Director	<u> X </u> <i>Timothy Sexton</i>	Date	<u> 1/25/11 </u>
Village Manager	<u> X </u>	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.



To: Village President and Board of Trustees
David Hulseberg, Village Manager

From: Timothy Sexton, Director of Finance

Date: January 25, 2011

Subject: Fiscal Year 2010 Comprehensive Annual Financial Report and Management
Letter Comments

The Finance Committee at their January 24, 2011 meeting reviewed the 2010 Comprehensive Annual Financial Report, Management Letter and staff recommendations prepared in response to the Management Letter comments.

The management letter comment is an informational comment regarding *Fund Balance Reporting and Governmental Fund Type Descriptions*. As Ron Amen from Lauterbach & Amen discussed during the Finance Committee meeting, the requirements of GASB statement number 54 will be implemented in the 2012 Comprehensive Annual Financial Report.

The Finance Committee voted unanimously to recommend that the Village Board accept and place on file with the Village Clerk the 2010 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 2010 Comprehensive Annual Financial Report, the Management Letter and staff responses are attached.



TO: Finance Committee Members
David Hulseberg, Village Manager
Timothy Sexton, Director of Finance

FROM: Jamie Cunningham, Assistant Director of Finance
Anne M. Fairbairn, Accounting Manager

DATE: January 7, 2011

SUBJECT: Responses to the FYE 2010 Management Letter

The FYE 2010 Management Letter comments from the Village auditors Lauterbach & Amen are enclosed for your review. The staff response to the Management Letter comment is as follows:

1. GASB STATEMENT NO. 54 – FUND BALANCE REPORTING AND GOVERNMENTAL FUND TYPE DESCRIPTIONS

Management Letter Recommendation: The Statement creates five (5) categories which define governmental fund balance more specifically based upon the extent of the constraints on the use of the funds.

Additionally, the Statement also provides more concise definitions of governmental fund types (particularly special revenue funds).

Staff Response: The Village will need to implement the provisions of GASB Statement No. 54 for the fiscal year ended May 31, 2012. During the implementation of GASB Statement No. 34, the Village combined all of its special revenue funds into the General Fund so the change in governmental fund types has already been completed.

The Finance department has already attended GFOA training on this change. Additionally, Lauterbach & Amen LLP will be having training for their clients to assist with the classification process. The Finance department concurs with the management letter recommendation.

The auditors will be in attendance at the January 24th meeting to answer any questions regarding the Combined Annual Financial Report and the management letter.

cc: Village President & Board of Trustees
All Department Heads

VILLAGE OF LOMBARD, ILLINOIS

MANAGEMENT LETTER

**FOR THE YEAR ENDED
MAY 31, 2010**

October 7, 2010

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, Illinois, for the year ended May 31, 2010, 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

CURRENT RECOMMENDATIONS

1. GASB STATEMENT NO. 54 – FUND BALANCE REPORTING AND GOVERNMENTAL FUND TYPE DESCRIPTIONS

Comment

GASB Statement No. 54 – *Fund Balance Reporting and Governmental Fund Type Descriptions* presents improved fund balance classifications for governmental funds, providing increased uniformity in financial reporting. The Statement also provides a more concise definition of the governmental fund types.

Fund Balance Reporting. The Statement creates new classifications of governmental fund balance based on the extent of constraints on the use of funds. Governmental fund balance upon the implementation of GASB Statement No. 54 will be classified under the following categories: *nonspendable, restricted, committed, assigned, and unassigned.*

Nonspendable - amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact (Ex: inventories or prepaids).

Restricted - amounts that are (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation (Ex: property taxes).

Committed - amounts that can only be used for specific purposes by constraints imposed by formal action of the Board of Trustees – usually by passage of ordinance/resolution (Ex: hotel/motel taxes committed to Board of Trustees specified expenditures).

Assigned - any remaining positive amounts not classified as nonspendable, restricted, or committed (for all governmental funds other than the General Fund). For the General Fund, amounts constrained for the intent to be used for a specific purpose by (a) governing body itself or (b) a body or official with authority (Ex: Finance Director assigning fund balance to specific future capital projects).

Unassigned - amounts of positive residual fund balance for the General Fund and negative fund balances for all other governmental funds.

Governmental Fund Types Definitions. The Statement also provides more concise definitions of governmental fund types, particularly for special revenue funds. Under GASB Statement No. 54, special revenue funds are to be used to account for the proceeds of revenue sources that are *restricted* or *committed* (as defined above) for specific purposes other than debt service or capital projects. The specific revenue source reported in the special revenue fund should be expected to make up a substantial portion of the revenue in the fund. Special revenue funds that do not have a significant *restricted* or *committed* (as defined above) revenue source or special revenue funds that receive most or all of their revenue as a transfer from another fund do not meet the new criteria for special revenue funds under GASB Statement No. 54, and generally the activity of these funds should be reported within the General Fund.

CURRENT RECOMMENDATIONS – Continued

1. **GASB STATEMENT NO. 54 – FUND BALANCE REPORTING AND GOVERNMENTAL FUND TYPE DESCRIPTIONS (Continued)**

Comment - Continued

GASB Statement No. 54 is effective for periods beginning after June 15, 2010. The Village will be required to implement the provisions of GASB Statement No. 54 for the fiscal year ended May 31, 2012.

Recommendation

We recommend that the Village conduct a review of its current fund balance classifications. This review should include an understanding of current fiscal policies that have been approved by the Board of Trustees, as well as fiscal policies followed by management. An analysis should be conducted to determine the type of potential constraint and the corresponding dollar amount that will need to be reported in the financial statements. Further, we recommend the Village review its current governmental fund structure, with a specific assessment of the significant revenue source reported in each special revenue fund to determine compliance with the Statement's special revenue fund reporting requirements.