

**VILLAGE OF CAROL STREAM, ILLINOIS**

**AUDITOR'S COMMUNICATION TO THE  
BOARD OF TRUSTEES**

For the Year Ended  
April 30, 2014

VILLAGE OF CAROL STREAM, ILLINOIS  
AUDITOR'S COMMUNICATION TO THE BOARD OF TRUSTEES  
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Naperville, Illinois 60563

630.566.8400 // [www.sikich.com](http://www.sikich.com)

Certified Public Accountants & Advisors  
*Members of American Institute of Certified Public Accountants*

August 22, 2014

The Honorable Mayor  
Members of the Board of Trustees  
Village of Carol Stream  
500 North Gary Avenue  
Carol Stream, Illinois 61088-1899

Ladies and Gentlemen:

As part of our audit process we are required to have certain communications with those charged with governance at the beginning of our audit process and at the conclusion of the audit. Those communications include information related to the planned scope and timing of our audit, as well as other information required by auditing standards. Our communication at the beginning of our audit process along with our questionnaire regarding consideration of fraud in a financial statement audit was sent to you on May 31, 2014.

In addition, auditing standards require the communication of internal control related matters to those charged with governance. Our management letter, as well as a listing of future pronouncements that may affect the Village, are enclosed within this document.

This information is intended solely for the use of the Mayor, Board of Trustees and management of the Village of Carol Stream and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in black ink that reads 'Sikich LLP'.

Sikich LLP  
By: Brian LeFevre, CPA  
Partner



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August 22, 2014

The Honorable Mayor  
Members of the Board of Trustees  
Village of Carol Stream, Illinois

Ladies and Gentlemen:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Carol Stream, Illinois, as of and for the year ended April 30, 2014. We have also audited the financial statements of each individual nonmajor governmental fund and each fiduciary fund as of and for the year ended April 30, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 23, 2014. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant Audit Findings**

#### **Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Village are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended April 30, 2014.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We noted no particularly sensitive estimates made by management during our audit of the financial statements.

Village of Carol Stream  
August 22, 2014

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. We noted no particularly sensitive disclosures during the audit of your financial statements. The disclosures in the financial statements are neutral, consistent, and clear.

### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### **Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Management Representations**

We have requested certain representations from management that are included in the management representation letter dated August 22, 2014.

### **Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Village of Carol Stream  
August 22, 2014

### **Other Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### **Other Matters**

We applied certain limited procedures to the schedules and supplemental data accompanying the financial statements, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the schedules and supplemental data, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

The information is intended solely for the information and use of the Board of Trustees and management of the Village of Carol Stream and is not intended to be and should it be used by anyone other than these specified parties.

Sincerely,



Sikich LLP

Sikich LLP

By: Brian D. LeFevre, CPA, MBA  
Partner




**VILLAGE OF CAROL STREAM, ILLINOIS**

**MANAGEMENT LETTER**

April 30, 2014

# Village of Carol Stream

**DATE:** October 28, 2014

**TO:** Joe Breinig, Village Manager 

**FROM:** Jon Batek, Finance Director  
Phil Modaff, Director of Public Works

**SUBJECT:** **Response to Audit Management Letter**

This memorandum is intended to respond to the annual Management Letter issued by our audit firm Sikich which is included within their report entitled "Auditor's Communication to the Board of Trustees" for the year ended April 30, 2014 (pages 5 – 9).

## **Water Billed to Pumped Ratio**

Staff is addressing this comment in several ways. First, the latest data on water sold versus water purchased will soon be determined as part of the annual LMO-2 report due to be completed in December. This will examine the performance of the system for the year ending September 30, 2014 and provide additional trend information to be considered.

Second, Public Works will continue our large meter testing program (2" and above) since these meters present the greatest risk for unbilled water loss. We meet or exceed American Water Works Association recommendations by testing each large meter on a 4-5 year cycle and imposing a low tolerance for inaccuracy. Meters testing less than 97% accurate are repaired or replaced.

Finally, Public Works and Finance staff will be undertaking a thorough assessment of the metering system in the coming year to determine if there are any apparent weaknesses in the metering, testing and reporting systems and/or trends in data already collected which would suggest areas to concentrate on to address the referenced disparity.





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Certified Public Accountants & Advisors  
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The Honorable Mayor  
Members of the Board of Trustees  
Village of Carol Stream, Illinois

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Carol Stream as of and for the year ended April 30, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the Village's internal control over financial reporting (internal control) as a basis for designing auditing procedures appropriate in the circumstances for the purpose of expressing opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses. We also reviewed the status of the recommendations for the period ended April 30, 2013. The status of these recommendations is included in Appendix A. This letter does not affect our report dated August 22, 2014, on the basic financial statements of the Village of Carol Stream.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

The Village's written responses to the deficiencies identified in our audit have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion thereon.

This report is intended solely for the information and use of the Mayor, Board of Trustees and management of the Village and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads 'Sikich LLP'.

Naperville, Illinois  
August 22, 2014

## DEFICIENCY

### Water Billed to Pumped Ratio

The water billed to pumped ratio for the last five fiscal years are as follows:

	2014	2013	2012	2011	2010
Ratio	87%	92%	95%	96%	97%

During our testing of the Village's water revenue cycle we noted that the billed to pumped ratio has fallen 10% since fiscal year 2010. We recommend that the Village investigate the source of the increase in unbilled water as such impacts both the water and sewer operations. We also recommend that the Village monitor this ratio to identify potential issues in the water revenue cycle.

## OTHER COMMENTS

### Future Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has issued a number of pronouncements that may impact the Village in the future.

GASB Statement No. 67, *Financial Reporting for Pension Plans*, replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and Statement 50 as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. The Statement builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. Statement No. 67 enhances note disclosures and RSI for both defined benefit and defined contribution pension plans. Statement No. 67 also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year RSI schedules. Statement No. 67 is applicable for the fiscal year ending April 30, 2015.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI). Statement No. 68 is applicable for the fiscal year ending April 30, 2016.

**OTHER COMMENTS (Continued)**

**Future Accounting Pronouncements (Continued)**

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, establishes accounting and financial reporting standards related to government combinations and disposals of government operations. Statement No. 69 is applicable for the fiscal year ending April 30, 2015.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, intends to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. Statement No. 70 is applicable for the fiscal year ending April 30, 2015.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, addresses an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. (Implement at same time as Statement No. 68, April 30, 2016.)

**APPENDIX A  
STATUS OF PRIOR YEAR'S RECOMMENDATIONS**

**DEFICIENCY**

**Escrow Deposits**

The Village holds many engineering escrow deposits from contractors that are typically returned once their respective project is completed. During our review of these deposits, we noted many balances that were of significant age. We recommend that the Village's Finance Department collaborate with other departments to determine the status of these projects, what the deposit was collected for and who it is owed to, and return closed project balances to the contractor or to the State of Illinois (as appropriate).

**Status:** Implementation of comment is in progress as of April 30, 2014.