VILLAGE OF CAROL STREAM, ILLINOIS

AUDITOR'S COMMUNICATION TO THE
BOARD OF TRUSTEES

For the Year Ended April 30, 2018

SIKICH.COM

VILLAGE OF CAROL STREAM, ILLINOIS
AUDITOR'S COMMUNICATION TO THE BOARD OF TRUSTEES
TABLE OF CONTENTS

SIKICH.

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS
Members of American Institute of Certified Public Accountants

1415 West Diehl Road, Suite 400
Naperville, IL 60563
630.566.8400

SIKICH.COM

August 31, 2018

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 in June 2018.

In addition, auditing standards require the communication of internal control related matters to those charged with governance. Our communication to management, 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,

Sikich LLP

Sikich LLP
By: Brian D. LeFevre, CPA, MBA
Partner

1415 West Diehl Road, Suite 400
Naperville, IL 60563
630.566.8400

SIKICH.COM

August 31, 2018

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 (the Village) for the year ended April 30, 2018. We have also audited the financial statements of each individual nonmajor governmental fund and each fiduciary fund for the year ended April 30, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and the standards applicable to financial audits in Government Auditing Standards, issued by the Comptroller General of the United States, 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 5, 2018. Professional standards also require that we communicate to you the following information related to our audit.

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, 2018. We noted no transactions entered into by the Village during the year for which there is a lack of authoritative guidance or consensus.

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 except for the actuarial assumptions used to calculate the net pension liability.

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. Management has corrected all such misstatments. In addition, no misstatements were detected as a result of audit procedures.

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 31, 2018.

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 Village'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.

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 Village'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 required supplementary information as listed the table of contents, which is 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, which accompany the basic 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 basic financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the basic financial statements or to the basic financial statements themselves.

We were not engaged to report on the introductory and statistical sections. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

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

Year End: April 30, 2018

Adjusting Journal Entries

Date: 5/1/2017 To 4/30/2018

Number	Date	Name	Account No	Debit	Credit
AJE01	4/30/2018	ACCOUNTS PAYABLE	01-20101 GEN-01	125,100.44	
AJE01	4/30/2018	ZONES SALES TAX REIMB	01720000-58207 GEN-01		-125,100.44
		Zones rebate payment was accrued twice			
AJE02	4/30/2018	NORTH SCHMALE BONDS PAYABLE	37-25300 LTD-37	47,928.32	
AJE02	4/30/2018	LOAN PRINCIPAL	37500000-56490 LTD-37		-47,928.32
		To adjust TIF bonds payable			

VILLAGE OF CAROL STREAM, ILLINOIS

COMMUNICATION OF DEFICIENCIES
IN INTERNAL CONTROL AND
OTHER COMMENTS TO MANAGEMENT

April 30, 2018

SIKICH®

SIKICH.
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS
Members of American Institute of Certified Public Accountants

1415 West Diehl Road, Suite 400
Naperville, IL 60563
630.566.8400

SIKICH.COM

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, Illinois (the Village) as of and for the year ended April 30, 2018, 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, 2017. The status of these recommendations is included in Appendix A. This letter does not affect our report dated August 31, 2018, on the basic financial statements of the Village.

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.

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.

Sikich LLP

Naperville, Illinois
August 31, 2018

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. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, addresses reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments and replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as they relate to governments that provide benefits through OPEB plans administered as trusts or similar arrangements that meet certain criteria. Statement No. 75 requires governments providing defined benefit OPEB to recognize their long-term obligation for OPEB as a liability for the first time, and to more comprehensively and comparably measure the annual costs of OPEB benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI). Statement No. 75 is applicable for the fiscal year ending April 30, 2019.GASB Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*, addresses issues regarding (1) the presentation of payroll-related measures in the required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this standard are effective for the fiscal year ending April 30, 2018 and 2019.

GASB Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this standard are effective for the fiscal year ending April 30, 2020.

GASB Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. The requirements of this standard are effective for the fiscal year ending April 30, 2020.

GASB Statement No 85, *Omnibus 2017*, addresses a number of issues across a spectrum of topics including issues related to blending component units where the primary government is a business type activity that reports basic financial statements in a single column, accounting for goodwill, fair value measurement and application related to real estate held by insurance activities and measuring certain investments at cost or amortized cost, and various issues related to accounting and reporting for postemployment benefits (pensions and other postemployment benefits [OPEB]). Statement No 85 is effective for the fiscal year ending April 30, 2019.

OTHER COMMENTS (Continued)

Future Accounting Pronouncements (Continued)

GASB Statement No. 86, *Certain Debt Extinguishment Issues,* was issued to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also addresses accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. Statement No. 86 is effective for fiscal years ending April 30, 2019.

GASB Statement No. 87, *Leases*, establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset and aims to enhance comparability of financial statements among governments. This statement also requires additional notes to the financial statements related to the timing, significance, and purpose of a government's leasing arrangements. The requirements of this statement are effective for the fiscal year ending April 30, 2021.

GASB Statement No 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements,* was issued in March 2018 and provides guidance on improving disclosures in the notes to the financial statements related to debt, including direct borrowings and direct placements of debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This statement is effective for the fiscal year ending April 30, 2020.

GASB Statement No 89, *Accounting for Interest Costs Incurred Before the End of a Construction Period,* establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this statement are effective for the fiscal year ending April 30, 2021.

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 - Comment has been substantially implemented as of April 30, 2018.