

**VILLAGE OF WINNETKA, ILLINOIS**

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**MANAGEMENT LETTER**

**FOR THE FISCAL YEAR ENDED  
DECEMBER 31, 2016**



May 19, 2017

The Honorable Village President  
Members of the Board of Trustees and Village Manager  
Village of Winnetka, Illinois

In planning and performing our audit of the financial statements of the Village of Winnetka (Village), Illinois, for the fiscal year ended December 31, 2016, 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 Board of Trustees, management, and others within the Village of Winnetka, 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*  
LAUTERBACH & AMEN, LLP

## CURRENT RECOMMENDATIONS

1. **GASB STATEMENT NO. 74 FINANCIAL REPORTING FOR POST-EMPLOYMENT BENEFIT PLANS OTHER THAN PENSION PLANS AND GASB STATEMENT NO. 75 ACCOUNTING AND FINANCIAL REPORTING FOR POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS**

### Comment

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 74, *Financial Reporting for Post-Employment Benefits Plans Other Than Pension Plans*, which applies to individual postemployment benefit plans, and Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*, which applies to the state and local government employers that sponsor the plans. The Statements apply to the reporting of other post-employment benefits, including medical, dental, life, vision and other insurance coverages provided by the employer post-employment. The Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to the other post-employment benefit plans, and specifically identify the methods and assumptions that are to be used in calculating and disclosing these OPEB accounts in the financial statements. The Statements also provide for additional note disclosures and required supplementary information and are intended to improve information provided by state and local government employers regarding financial support to their OPEB plans. GASB Statement No. 75 applies to the employer's reporting of other post-employment benefit plans and is applicable to the Village's financial statements for the year ended December 31, 2018.

### Recommendation

We recommend that the Village reach out to the private pension actuary engaged to provide the OPEB actuarial calculations in order to confirm the timeline for implementation and to review requested materials that will be required in order to implement the provisions and requirements of the new Statements. Lauterbach & Amen, LLP will also work directly with the Village to assist in the implementation process, including assistance in determining the implementation timeline with the Village and private actuary, providing all framework for the financial statements in order to complete the implementation, and assist in answering any questions or concerns the Village might have related to the implementation process or requirements.

### Winnetka Staff Response

The Village of Winnetka's OPEB actuary is aware of GASB 75 requirements and the Village intends to implement as required for the fiscal year ending December 31, 2018.

## CURRENT RECOMMENDATIONS – Continued

### 2. FUND NOT IN COMPLIANCE WITH FUND BALANCE POLICY

#### Comment

During our current year-end audit procedures, we noted the following fund with a fund balance that was not in compliance with the Board approved fund balance policy:

	Per 2016 Budget	Cash Balance per CAFR	Amount Not In Compliance
Refuse Fund			
Minimum			
Operating Expenditures	\$ 1,643,100		
X's 3/12 per Policy	25.00%		
	410,775		
Depreciation	135,000		
X's 50% per Policy	50.00%		
	478,275	420,212	58,063

#### Recommendation

We recommend the Village investigate the fund balance and adopt a future budget to address these items not in compliance.

#### Winnetka Staff Response

Beginning on January 1, 2017, the Village of Winnetka implemented a new recurring revenue source consisting of a \$10 monthly pickup fee for residential refuse customers. The Village is confident this charge will stabilize the fund balance and cause it to be in compliance with policy no later than the fiscal year ended December 31, 2017.

## **PRIOR RECOMMENDATIONS**

### 1. **FUNDS WITH DEFICIT FUND BALANCE**

#### Comment

Previously and during our current year-end procedures, we noted the following funds had deficit fund balances. See the December 31, 2016 and December 31, 2015 fund balances:

<u>Fund</u>	<u>12/31/2016</u>	<u>12/31/2015</u>
Special Service Areas	\$ (44,974)	\$ (86,485)

#### Recommendation

We recommended the Village investigate the causes of the deficit and adopt appropriate future funding measures.

#### Status

This comment has not been implemented and will be repeated in the future.

#### Winnetka Staff Response

The General Fund advanced the financing of these improvements and the General Fund will be paid back over the life of these Special Service Areas, with interest. Given the small dollar amount of each Special Service Area, it was less cumbersome to finance these improvements internally. This deficit will continue until these obligations are repaid but will continue to decrease each year.

### 2. **ACCOUNT RECONCILIATIONS COMPLETED ON A TIMELY BASIS**

#### Comment

Previously, we noted that various account reconciliations were being performed over the years but outstanding reconciling items had not been adjusted for on the general ledger. This included certain bank accounts, accounts receivable balances, and accounts payable balances.

#### Recommendation

We recommended that all bank accounts be reconciled on a monthly basis and the accounts receivable and accounts payable balances be reconciled on a monthly basis to their subsidiary detail listing. Any discrepancies noted during these reconciliations should be immediately investigated and corrected.

#### Status

This comment has been implemented and will not be repeated in the future.

## PRIOR RECOMMENDATIONS – Continued

### 3. OUTSTANDING INTERFUND

#### Comment

Previously and during our current year-end audit procedures, we noted the Village creates an interfund receivable in the General Fund from the Police and Firefighters' Pension Funds as a result of the General Fund paying for various pension fund related costs. The interfund balances have not been repaid for several years, which has caused the balances to grow. Below are the interfund balances as December 31, 2015 and December 31, 2016 for the Police Pension Fund and the Firefighters' Pension Fund, respectively.

Fund	12/31/15	12/31/16
Police Pension	\$ 1,209,209	\$ 1,036,252
Firefighters' Pension	564,534	516,011

#### Recommendation

We recommended that the Village review these balances to determine the source of the interfund accumulation and implement a repayment plan. We also recommend that the Village review the interfund balances each month as part of its month-end close process and repay them at that time.

#### Winnetka Staff Response

Staff developed a General Fund repayment plan with the pension funds in 2016 that would see the entirety of the outstanding interfund satisfied no later than September, 2017 in the form of quarterly payments. To date, the pension funds have made all required quarterly payments back to the General Fund.