VILLAGE OF OAK PARK, ILLINOIS

MANAGEMENT LETTER

December 31, 2015

Sikich®

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

The Honorable Village President
Members of the Board of Trustees
Village of Oak Park, Illinois

In planning and performing our audit of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Village of Oak Park, Illinois (the Village) as of and for the year ended December 31, 2015, 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 audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the 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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we have identified certain deficiencies in internal control that we consider to be material weaknesses and a significant deficiency.

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 combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

The Village's written response to the material weaknesses and other comments identified in our audit has not been subjected to the audit procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

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

Sikich LLP

Naperville, Illinois
June 14, 2016

MATERIAL WEAKNESSES

1. Fixed Asset Tracking

During fixed asset testing, it was noted that duplicate payments were incorrectly added to the fixed asset schedule, repairs and maintenance projects were improperly capitalized and prior year additions were improperly included as additions in the current year. Sikich recommends the Village review fixed asset schedules and reconcile them to expenditure accounts and current listings of vehicles and other assets. Additionally the finance department should work closely with other departments to ensure understanding, accuracy and completeness of capital asset activity. This will help identify any errors in the fixed asset schedules.

Management Response

Management concurs that some adjustments were required to the fixed asset schedule although it should be noted that there may be instances where a certain degree of subjectivity is required regarding the capitalization of some costs pertaining to infrastructure maintenance versus improvements.

2. Unrecorded Liabilities

While performing our audit procedures, we noted invoices improperly excluded and improperly included in accounts payable. During the year end closing process, finance personnel should review invoices at the balance sheet date and subsequent payments after that date to ensure the completeness and accuracy of accounts payable at the balance sheet date. This will ensure that all material expenses and the related liabilities are recorded properly in the Village's financial statements as of the balance-sheet date.

Management Response

Management concurs that there have been some instances regarding year-end invoices where they were either improperly included or excluded from December 31, 2015 account payable. Due to some inherent restrictions with PeopleSoft, the recordation of accounts payable is largely a manual process and staff makes every effort to determine the accuracy of posting all year-end transactions in the appropriate year.

SIGNIFICANT DEFICIENCY

1. Grant Trial Balance Maintenance

During our preliminary and final fieldwork testing, we noted that many of the grant funds, including the Community Development Block Grant Fund, reflect net income or losses. Because the Village only allocates grant expenditures in the amount of the expected reimbursements from the grants, no profit or loss should be reflected in these funds at year end. Instead, the grant revenue and related receivable or deferral, or grant expenditures and related payables should be adjusted to reflect only what will be ultimately eligible for grant reimbursements. We recommend that finance department staff work closely with those individuals responsible for grant administration at least quarterly, but especially during the year end closing process, to ensure accuracy in

SIGNIFICANT DEFICIENCY (Continued)

1. Grant Trial Balance Maintenance (Continued)

the recording of grant revenues and expenditures. Because many of the grants are funded by the federal government and therefore reflected in the single audit report, additional scrutiny must be applied to the accounting of these grants.

Management Response

Management concurs that there were several grants which required adjustments in order to zero out any profit or loss shown by individual grant account or program. It is the intent of management to improve the process of its grant accounting for subsequent audits.

OTHER COMMENTS

Future Accounting Pronouncements

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

GASB Statement No. 72, *Fair Value Measurement and Application,* addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. Statement No. 72 is applicable for the fiscal year ending December 31, 2016.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria. The provisions in Statement No. 73 are effective for the fiscal year ending December 31, 2016, except those provisions that address employers and governmental non-employer contributing entities for pensions that are not within the scope of Statement No. 68, which are effective for financial statements for the fiscal year ending December 31, 2017.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, addresses reporting by OPEB plans that administer benefits on behalf of governments and replaces GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. Statement No. 74 addresses the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria. The statement builds upon the existing framework for financial reports of defined benefit OPEB 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. 74 enhances note disclosures and RSI for both defined benefit and defined contribution OPEB plans. Statement No. 74 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. The provisions in Statement No. 74 are effective for OPEB plan or sponsoring employer financial statements for the fiscal year ending December 31, 2017.

OTHER COMMENTS (Continued)

Future Accounting Pronouncements (Continued)

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). The provisions in Statement No.75 are effective for the fiscal year ending December 31, 2018.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, reduces the generally accepted accounting principles (GAAP) hierarchy to two categories of authoritative GAAP: officially established accounting principles – GASB Statements (Category A) and GASB Technical Bulletins; GASB Implementation Guides; and literature of the American Institute of Certified Public Accountants cleared by the GASB (Category B). Statement No. 76 also addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. Statement No. 76 is applicable for the fiscal year ending December 31, 2016 and should be applied retroactively. Earlier application is permitted.

GASB Statement No. 77, *Tax Abatement Disclosures,* requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and reduce the reporting government's tax revenues. The requirements of this statement are effective for the fiscal year ending December 31, 2016.

GASB Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*, establishes requirements for pensions provided to employees of state or local government employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local government pension plan, (2) is used to provided defined benefit pensions to both employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The requirements of this statement are effective for the fiscal year ending December 31, 2016.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The requirements of this statement are effective for the fiscal year ending December 31, 2016.

OTHER COMMENTS (Continued)

Future Accounting Pronouncements (Continued)

GASB Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14,* requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The requirements of this statement are effective for the fiscal year ending December 31, 2017.

We will advise the Village of any progress made by GASB in developing this and other future pronouncements that may have an impact on the financial position and changes in financial position of the Village.

APPENDIX A
STATUS OF PRIOR YEAR COMMENTS

MATERIAL WEAKNESSES

1. Year End Close Process

During our testing of accounts payable, Sikich noted s invoices that were not recorded in accounts payable originally, but were fiscal year 2014 expenditures. We proposed, and management accepted, adjusting journal entries to record these invoices in the proper period. Also, during our testing of expenditures, we noted an invoice paid in December that was fully recorded to an expenditure account when it related to fiscal year 2015. We proposed, and management accepted, adjusting journal entry AJE07 to reclassify this invoice from the expenditure account to prepaid items. Going forward, we recommend that management thoroughly review all invoices to determine the proper period in which they should be recorded.

Management Response

Management agrees. Staff will continue to review invoices to determine applicable accounting period.

Status - This comment is repeated for the current year.

2. Capital Lease Accounting

During our testing of capital leases, we noted that the Village did not record the new fire truck lease in the Vehicle Replacement Fund. We proposed, and management accepted, AJE01 to record this lease in the fund financial statements. We recommend that management record all future capital leases to the relevant fund as another financing source and a capital expenditure.

Management Response

Management agrees. The lease was originally accounted for elsewhere but agrees with the

Status - This comment has been implemented.