

**VILLAGE OF LINCOLNSHIRE, ILLINOIS**

**MANAGEMENT LETTER**

December 31, 2014



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Naperville, Illinois 60563

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

The Honorable Village Mayor  
Members of the Board of Trustees  
Village of Lincolnshire, 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 Lincolnshire, Illinois (the Village) as of and for the year ended December 31, 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 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.

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 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. 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.

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 identified certain deficiencies in internal control that we consider to be significant deficiencies. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses.

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

A handwritten signature in cursive script, appearing to read 'Sikich CPA'.

Naperville, Illinois  
June 16, 2015

## **SIGNIFICANT DEFICIENCIES**

### **1. Fund Balances**

The Village opened the General Capital Fund with a beginning fund balance of \$314,028. This opening balance related to funds transferred from the General Corporate Fund to the General Capital Fund. We recommended, and the Village recorded, an entry to show this amount as a transfer in to the General Capital Fund. In the General Corporate Fund, this amount was previously shown as restricted fund balance, and should have been presented as revenue; therefore a prior period adjustment was made in the General Corporate Fund for this amount.

Additionally, contributed capital assets were recorded as an adjustment to fund balance in the Water and Sewer Revenue fund, rather than being recorded as contribution revenue. We recommend the Village perform a reconciliation of fund balances to ensure no adjustments were incorrectly made to affect fund balance.

### **2. Revenue/Receivables**

During testing of revenues and related receivables, we noted that a number of entries reversing prior year receivables were posted backwards. This resulted in several revenue and receivable accounts being misstated. Adjusting journal entries #AJE03, AJE04, and AJE06 were recorded to correct the misstated balances. We recommend the Village carefully review the journal entries posted to record year end accruals, and compare the final adjusted balances to the supporting workpapers, to ensure entries are being posted correctly.

### **3. Accounts Payable**

During review of the Other Accounts Payable account, we noted that the Village does not prepare a schedule listing out the liabilities recorded in the account. Upon further review, we noted that one of the liabilities recorded in the account related to an old outstanding item that was no longer a liability at December 31, 2014, and should have been reversed in prior years. This resulted in the Village recording a prior period adjustment of \$200,546 to write off the old payable. We recommend that the Village maintain a list of items supporting the Other Accounts Payable, and perform regular reconciliations to ensure the balances recorded are accurate and all items accrued for are liabilities of the Village.

### **4. Capital Assets**

During testing of Capital Assets, Sikich noted that the balances recorded on the trial balance did not agree to the schedules provided by the Village. Upon further review, we determined the capital assets schedules were accurate, and the journal entries recorded were not recorded properly. We recommend the Village reconcile balances recorded to supporting schedules, to ensure journal entries are being recorded properly and the balances are accurately stated.