

**CITY OF BATAVIA
BATAVIA, ILLINOIS**

**AUDITOR'S COMMUNICATION TO THE
THE MEMBERS OF THE CITY COUNCIL**

For the Year Ended
December 31, 2014

CITY OF BATAVIA, ILLINOIS
AUDITOR’S COMMUNICATION TO THE MEMBERS OF THE CITY COUNCIL
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Naperville, Illinois 60563

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

May 20, 2015

The Honorable Mayor
Members of the City Council
City of Batavia
100 North Island Avenue
Batavia, Illinois 60510

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 January 23, 2015.

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 City, are enclosed within this document.

This information is intended solely for the use of the Mayor, City Council and management of the City of Batavia 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 D. LeFevre, CPA, MBA
Partner



1415 W. Diehl Road, Suite 400
Naperville, Illinois 60563

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

May 20, 2015

The Honorable Mayor
Members of the City Council
City of Batavia
Batavia, Illinois

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Batavia, Illinois for the year ended December 31, 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 engagement letter to you dated December 2, 2014. 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 City of Batavia 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 fiscal year ending December 31, 2014. We noted no transactions entered into by the City of Batavia 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 basic financial statements except for the actuarial assumptions used by the actuary in determining the total pension liability.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. We noted no particularly sensitive financial statement disclosures during our audit of the financial statements.

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 the financial statements taken as a whole except for AJE #02.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or audit 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 May 20, 2015.

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.

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.

City of Batavia, Illinois
May 20, 2015

Other Matters

We applied certain limited procedures to the 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.

With respect to the supplementary information accompanying the basic financial statements, 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.

This information is intended solely for the use of the Mayor, the City Council and management of the City of Batavia and is not intended and should not be used by anyone other than these specified parties.

We appreciate the courtesies extended to us by the City and those associated with it during our audit for this year. If you have any questions regarding the purpose of this letter or the requirement mentioned, please give me a call.

Sincerely,

A handwritten signature in black ink that reads "Sikich LLP". The signature is written in a cursive, flowing style.

Sikich LLP

By: Brian D. LeFevre, CPA, MBA
Partner

City of Batavia

Year End: December 31, 2014

Adjusting Journal Entries

Date: 1/1/2014 To 12/31/2014

Number	Date	Name	Account No	Debit	Credit
AJE#01	12/31/2014	PREPAID EXPENSE	10.1140 GF-10	69,457.58	
AJE#01	12/31/2014	CONTRACTUAL SERVICES	10.31.6355 GF-10		-35,396.00
AJE#01	12/31/2014	CONTRACTUAL SERVICES	10.32.6355 GF-10		-34,061.58
To record a prepaid for TriCom and Tri City Ambulance					
AJE#02	12/31/2014	FUND BALANCE/NET ASSETS	15.3025 HIF-15		-671,503.62
AJE#02	12/31/2014	CLAIMS PAID GP INS	15.40.6131 HIF-15	671,503.62	
To record a prior period adjustment to remove Pay Plus					
				740,961.20	-740,961.20

PASSED ADJUSTMENTS

City of Batavia

(CLIENT)

BUSINESS-TYPE ACTIVITIES

(OPINION UNIT)

For the Year Ended 12/31/2014

All entries posted as Debit (Credit)

Description	Workpaper Reference	Assets	(Liabilities)	(Retained Earnings/Fund Balance)	(Profit) Loss
Current Effect of Prior Period Passed AJE's that have carried forward to Current Period		\$	\$	\$	\$
Accrued Interest on IEPA Loans not recorded	M.1		(25,731)	35,323	9,592
Totals		\$ -	\$ (25,731)	\$ 35,323	\$ 9,592

CITY OF BATAVIA, ILLINOIS

MANAGEMENT LETTER

December 31, 2014



630.566.8400 // www.sikich.com

1415 W. Diehl Road, Suite 400
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Certified Public Accountants & Advisors
Members of American Institute of Certified Public Accountants

The Honorable Mayor
Members of the City Council
City of Batavia, Illinois

Ladies and Gentlemen,

In planning and performing our audit of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Batavia, Illinois, 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 its internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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, we identified a deficiency in internal control that we consider to be a material weakness. In addition, we reviewed the status of the recommendations for the year ended December 31, 2013. The status of these recommendations is included in Appendix A.

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 entity'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.

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

A handwritten signature in cursive script that reads 'Sikich LLP'.

Naperville, Illinois
May 20, 2015

MATERIAL WEAKNESS

We consider the follow deficiency to be a material weakness:

Prior Period Adjustment

During our audit, a material adjustment was necessary that resulted in restatement of prior period equity. The adjustment was a result of health expenses that were recorded twice as a result of them being reported to the City twice by its third party administrator. Although such adjustments are not expected to recur, we recommend the City remain cognizant of reporting issues relevant to health expense transactions incurred during the year.

OTHER COMMENTS

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

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and Statement No. 50, *Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27*, 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 December 31, 2015.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68* requires a state or local government employer (or non-employer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or non-employer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, this requires that the government recognize its contribution as a deferred outflow of resources. Statement No. 71 is to be implemented simultaneously with GASB Statement No. 68 in the fiscal year ending December 31, 2015.

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 in the fiscal year ending December 31, 2016.

APPENDIX A
STATUS OF DECEMBER 31, 2013 RECOMMENDATIONS

DEFICIENCY

Reporting of Electric Utility Inventory

During our testing of electrical utility inventory, we noted that the City does not currently adjust the recorded allowance for obsolete inventory. Per discussion with management, the finance department periodically reviews a report of surplus items. We recommend that the City establish an annual review of unused items during the inventory process for potential obsolete inventory. We recommend working with the electric utility personnel to develop estimates of the surplus items' appropriate value to adjust the allowance. This process should be performed at least annually as part of the City's inventory count procedures.

Status - Comment implemented as of December 31, 2014.

Sikich Snapshot

Organization

Sikich is a dynamic professional services firm specializing in accounting, technology, investment banking and advisory services. Founded in 1982, we are now one of the country's Top 35 largest CPA firms and among the top 1 percent of all enterprise resource planning solution partners in the world.

Industries

Sikich provides services and solutions to a wide range of industries. We have devoted substantial resources to develop a significant base of expertise and experience in:

- › Agriculture
- › Construction & Real Estate
- › Government
- › Manufacturing & Distribution
- › Not-for-Profit
- › Oilfield Services

Statistics

2014 Revenues \$106.5M

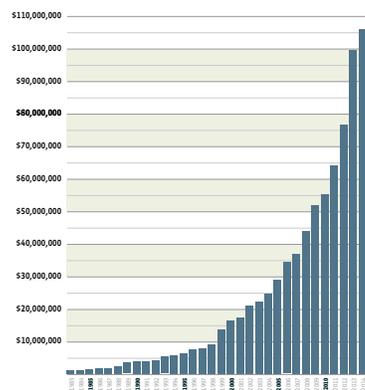
Total Partners 92

Total Employees 573

Total Personnel 665

Personnel count as of February 17, 2015

Sikich Total Revenues



Awards

- › *Accounting Today* Top 100 Firms: ranked 34th nationally, 2014
- › *Accounting Today* Regional Leaders – Top Firms: Great Lakes: ranked 4th, 2014
- › *Inc. Magazine's* Inc. 500|5000: ranked 4,627th fastest-growing private company nationally, 2013
- › *INSIDE Public Accounting* Top 50 Largest Accounting Firms: ranked 32nd nationally, 2014
- › Microsoft Dynamics Inner Circle and President's Club, 2014
- › *Milwaukee Business Journal* Largest Management Consulting Firms: ranked 12th, 2014
- › Best Places to Work in Indiana, 2014
- › Best Places to Work in Illinois, 2014
- › *Accounting Today* Top 100 Value Added Reseller: ranked 9th, 2014
- › Bob Scott's Top 100 Value Added Reseller, 2014
- › *Bob Scott's Insights* Value Added Reseller Stars, 2014
- › *Crain's Chicago Business* Fast Fifty: ranked 49th, 2013
- › Alfred P. Sloan Award for Excellence in Workplace Effectiveness & Flexibility, 2013
- › *Daily Herald Business Ledger* Book of Lists: ranked 5th, "Accounting Firms;" Chicago Western Suburbs, 2013
- › *Springfield Business Journal* Book of Lists: ranked 1st, "Accounting Firms;" Springfield, Illinois, 2013
- › *Chicago Tribune's* Chicago's Top Workplaces, 2013
- › *Crain's Chicago Business* Top 25 Firms: ranked 11th in Chicagoland, 2013

SERVICES

- › Accounting & Assurance
- › Business Valuation
- › Dispute Advisory
- › ERP & CRM Software
- › Executive Search & Staffing
- › Human Resources Consulting
- › Insurance Services
- › Investment Banking & Corporate Finance
- › IT Services
- › Marketing & Public Relations
- › Retirement Planning
- › Supply Chain
- › Tax Planning
- › Wealth Management



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Sikich Snapshot

Certifications

All professional accounting staff with more than one year of experience have earned or are working toward earning the Certified Public Accountant designation. Sikich is a member of the American Institute of Certified Public Accountants' Governmental Audit Quality Center and the Employee Benefit Plan Audit Quality Center. We adhere to the strict requirements of membership which assure we meet the highest standards of audit quality. In 2014, Sikich LLP received its 9th consecutive unmodified ("pass") peer review report, the highest level of recognition conferred upon a public accounting firm for its quality control systems.



Microsoft Partner

Gold Enterprise Resource Planning

Microsoft Partner

Sikich has earned a Microsoft ERP Gold competency; ranked among the top 1 percent of all Microsoft Dynamics partners worldwide; and carries the following certifications:

- ▶ Microsoft Small Business Specialist
- ▶ MCP (Microsoft Certified Professional)
- ▶ MCSE (Microsoft Certified System Engineer)
- ▶ CCNA (Cisco Certified Network Associate)
- ▶ CCDA (Certified Cisco Design Associate)
- ▶ CCEA (Citrix Certified Enterprise Administrator)
- ▶ MRMS (Microsoft Retail Management Systems)
- ▶ CISA (Certified Information Systems Auditor)
- ▶ CNE (Certified Novell Engineer)
- ▶ MS CSM (Microsoft Customer Service Manager)
- ▶ MS CAE (Microsoft Certified Account Executive)
- ▶ MCDBA (Microsoft Certified Database Admin.)



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The Leading Edge Alliance (LEA) is the second largest international association of independent accounting firms.* The LEA is an international professional association of independently-owned accounting and consulting firms. Members are top quality firms who share an entrepreneurial spirit and a drive to be the premier provider of professional services in their chosen markets. The Alliance provides Sikich with an unbeatable combination: the comprehensive size and scope of a large multinational company while offering their clients the continuity, consistency, and quality service of a local firm.

**International Accounting Bulletin, 2011*



Sikich is proud to be part of PrimeGlobal

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Securities are offered through Sikich Corporate Finance LLC, a registered broker dealer with the Securities Exchange Commission and a member of FINRA/SIPC. Advisory services offered through Sikich Financial, a Registered Investment Advisor. General securities offered through Triad Advisors, Member FINRA/SIPC. Triad Advisors and Sikich Financial are not affiliated.

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