

**CITY OF BATAVIA  
BATAVIA, ILLINOIS**

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

For the Year Ended  
December 31, 2015



**CITY OF BATAVIA, ILLINOIS**  
**AUDITOR’S COMMUNICATION TO THE MEMBERS OF THE CITY COUNCIL**  
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1415 W. Diehl Road, Suite 400  
Naperville, Illinois 60563

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

May 26, 2016

The Honorable Mayor  
Members of the City Council  
Management  
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 December 21, 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 26, 2016

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 (the City) for the year ended December 31, 2015. 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 21, 2015. 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, 2015 with the exception of the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pension Plans*. We noted no transactions entered into by the City 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.

The financial statement disclosures 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. 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.

## **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 26, 2016.

## **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 City'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 City'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 (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 combining and individual fund financial statements and schedules, which accompany the financial statements but are not 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.

We were not engaged to report on the introductory and statistical sections, which accompany the financial statements but are not RSI. 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.

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.

Sincerely,

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

Sikich LLP

By: Brian D. LeFevre, CPA, MBA  
Partner

**City of Batavia - December 31, 2015**

**Adjusting Journal Entries**

<b>Map Line Description</b>	<b>Fund</b>	<b>Debit</b>	<b>Credit</b>
Unbilled Utilities Receivable	General	\$ 3,484.42	
Electric Franchise Fees and Water Tax Revenue	General		\$ 3,484.42
Unbilled Utilities Receivable	Electric	88,475.88	
Electric Revenue	Electric		88,475.88
Unbilled Utilities Receivable	Water	1,440.75	
Water Revenue	Water		1,440.75
Unbilled Utilities Receivable	Sewer	2,362.23	
Sewer Revenue	Sewer		2,362.23
	<b>Totals</b>	<b>\$ 95,763.28</b>	<b>\$ 95,763.28</b>



**City of Batavia**  
(CLIENT)

BUSINESS-TYPE ACTIVITIES/  
WATERWORKS FUND  
(OPINION UNIT)

For the Year Ended 12/31/2015

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		-	(24,210)	24,959	749
Totals		\$ -	\$ (24,210)	\$ 24,959	\$ 749



EFFECTS SCHEDULE

	<u>City of Batavia</u>	<u>Aggregate Other Funds</u>			
	(CLIENT)	(OPINION UNIT)			
	For the Year Ended	<u>12/31/2015</u>			
		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		\$ -	\$ -	\$ -	\$ -
To record opening balances for foreign fire		-	-	(100,919)	100,919
Totals		<u>\$ -</u>	<u>\$ -</u>	<u>\$ (100,919)</u>	<u>\$ 100,919</u>

**CITY OF BATAVIA, ILLINOIS**

**MANAGEMENT LETTER**

December 31, 2015



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

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 (the City) 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 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. We did not identify any deficiencies in internal control that we consider to be material weaknesses. In addition, we reviewed the status of the recommendations for the year ended December 31, 2014. 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 black ink that reads 'Sikich LLP'.

Naperville, Illinois  
May 26, 2016

## 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. 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.

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 fiscal years beginning after June 15, 2015—except those provisions that address employers and governmental nonemployer 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.

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.

## **OTHER COMMENTS (Continued)**

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, 2017.

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, 2017.

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.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, provides recognition and measurement guidance for situations in which a government is a beneficiary of a split-interest agreement. The requirements of this statement are effective for the fiscal year ending December 31, 2017.

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 December 31, 2017. Earlier application is encouraged.

**APPENDIX A**  
**STATUS OF DECEMBER 31, 2014 RECOMMENDATIONS**

**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.

Status - Comment implemented as of December 31, 2015.

# Sikich Snapshot

## Organization

Sikich is a dynamic professional services firm specializing in accounting, technology, investment banking\* and advisory services\*\*. Founded in 1982, Sikich now ranks as one of the country's Top 35 Certified Public Accounting firms and is among the top 1 percent of all enterprise resource planning solution partners in the world. From corporations and not-for-profits to state and local governments, Sikich clients can use a broad spectrum of services and products that help them reach long-term, strategic goals.

## 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:

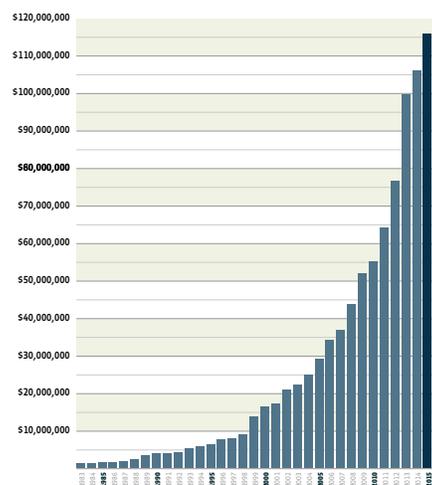
- Agriculture
- Construction & Real Estate
- Energy
- Government
- Manufacturing & Distribution
- Not-for-Profit

## Statistics

2015 Revenues .....	\$116.6M
Total Partners .....	105
Total Employees .....	687
Total Personnel .....	792

Personnel count as of June 1, 2016

## Sikich Total Revenues



## Awards

- Vault Accounting Top Ranked 2017
- *Accounting Today* Top 100 Firms: ranked 31st nationally, 2016
- *Accounting Today* Regional Leaders – Top Firms: Great Lakes: ranked 4th, 2016
- *Milwaukee Business Journal* Largest Management Consulting Firms: ranked 10th, 2016
- *Milwaukee Business Journal* Largest Milwaukee-Area Accounting Firms: ranked 11th, 2016
- When Work Works Award, 2016
- *WorldatWork* Work-Life 2016 Seal of Distinction
- Best Places to Work in Illinois, 2016
- Best Places to Work in Indiana, 2016
- Chicago's 101 Best and Brightest Companies to Work For®, 2016
- Milwaukee's 101 Best and Brightest Companies to Work For®, 2016
- WICPA Excellence Award - Public Service Award (Firm), 2016
- Bob Scott's Top 100 Value Added Reseller: ranked 9th, 2016
- *INSIDE Public Accounting* Top 50 Largest Accounting Firms: ranked 31st nationally, 2015
- *Inc. 5000*: ranked #4344, 2015
- *Crain's List* Chicago's Largest Privately Held Companies: ranked #250, 2015
- *Accounting Today* Top 100 Value Added Reseller: ranked 7th, 2015
- Bob Scott's Top 100 Value Added Reseller: ranked 9th, 2015
- National Best & Brightest Companies to Work For®, 2015
- Chicago's 101 Best and Brightest Companies to Work For®, 2015
- National Best & Brightest in Wellness, 2015
- *Chicago Tribune's* Top Workplaces, 2015
- Edge Award - 2015 Community Service
- Microsoft Dynamics Inner Circle and President's Club, 2014

## SERVICES

- Accounting & Assurance
- Business Valuation
- Dispute Advisory
- ERP & CRM Software
- 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

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.)



## Sikich is proud to be part of the Leading Edge Alliance

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

PrimeGlobal is one of the top five largest associations of independent accounting firms in the world, providing a wide range of tools and resources to help member firms furnish superior accounting, auditing, and management services to clients around the globe.

*Securities are offered through Sikich Corporate Finance LLC, a registered broker/dealer with the Securities and Exchange Commission and a member of FINRA and SIPC.*

*Advisory services offered through Sikich Financial, a Registered Investment Advisor. Securities offered through Triad Advisors, Member FINRA and SIPC. Triad Advisors and Sikich Financial are not affiliated.*

## LOCATIONS:

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### Houston, TX

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### Springfield, IL

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## CONNECT WITH US:



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