

Board of Trustees  
DuPage Township, Illinois  
Bolingbrook, Illinois

As part of our audit of the financial statements of DuPage Township (Township) as of and for the year ended March 31, 2016, we wish to communicate the following to you.

## **Audit Scope and Results**

### ***Auditor's Responsibility Under Auditing Standards Generally Accepted in the United States of America***

An audit performed in accordance with auditing standards generally accepted in the United States of America is designed to obtain reasonable, rather than absolute, assurance about the financial statements. In performing auditing procedures, we establish scopes of audit tests in relation to the financial statements taken as a whole. Our engagement does not include a detailed audit of every transaction. Our engagement letter more specifically describes our responsibilities.

These standards require communication of significant matters related to the financial statement audit that are relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. Such matters are communicated in the remainder of this letter or have previously been communicated during other phases of the audit. The standards do not require the auditor to design procedures for the purpose of identifying other matters to be communicated with those charged with governance.

An audit of the financial statements does not relieve management or those charged with governance of their responsibilities. Our engagement letter more specifically describes your responsibilities.

### ***Qualitative Aspects of Significant Accounting Policies and Practices***

#### ***Significant Accounting Policies***

The Township's significant accounting policies are described in Note 1 of the audited financial statements. With respect to unusual accounting policies or accounting methods used by the Township for unusual transactions, we call your attention to the following topic:

- As described in Note 1, the Township adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*.

### ***Alternative Accounting Treatments***

We had discussions with management regarding alternative accounting treatments within accounting principles generally accepted in the United States of America for policies and practices for material items, including recognition, measurement and disclosure considerations related to the accounting for specific transactions as well as general accounting policies, as follows:

- No matters are reportable.

### ***Management Judgments and Accounting Estimates***

Accounting estimates are an integral part of financial statement preparation by management, based on its judgments. The following areas involve significant estimates for which we are prepared to discuss management's estimation process and our procedures for testing the reasonableness of those estimates:

- Useful lives and depreciation expense.
- Net pension liability.
- Compensated absences.

### ***Financial Statement Disclosures***

The following areas involve particularly sensitive financial statement disclosures for which we are prepared to discuss the issues involved and related judgments made in formulating those disclosures:

- Revenue recognition.
- Implementation of GASB Statement No. 68 related to pensions.

### ***Audit Adjustments***

During the course of any audit, an auditor may propose adjustments to financial statement amounts. Management evaluates our proposals and records those adjustments which, in its judgment, are required to prevent the financial statements from being materially misstated. Some adjustments proposed were not recorded because their aggregate effect is not currently material; however, they involve areas in which adjustments in the future could be material, individually or in the aggregate.

Areas in which adjustments were proposed include:

#### ***Proposed Audit Adjustments Recorded***

- Net pension liability and related balances in connection with the implementation of GASB Statement No. 68 related to pensions.
- Property taxes receivable and deferred inflows of resources.

- Beginning fund balances – the Township’s internal accounting system does not include balances forwarded from the prior fiscal year audited financial statements as these internal records are maintained on a current period cash basis.
- Capital assets and related depreciation.
- Cash to accrual journal entries related to liquor inventory, gift card donations, rental deposits and prepaid expenses.

***Proposed Audit Adjustments Not Recorded***

- Attached is a summary of uncorrected misstatements we aggregated during the current engagement and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements as a whole.

***Auditor’s Judgments About the Quality of the Entity’s Accounting Principles***

During the course of the audit, we made the following observations regarding the Township’s application of accounting principles:

- During the year, the Township adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*.

***Significant Issues Discussed with Management***

***During the Audit Process***

During the audit process, the following issues were discussed or were the subject of correspondence with management:

- Bank reconciliations.
- Net pension liability calculations, accounting treatment and disclosure requirements.
- Rental and event deposits.

***Difficulties Encountered in Performing the Audit***

Our audit requires cooperative effort between management and the audit team. During our audit, we found significant difficulties in working effectively on the following matters:

- No matters are reportable.

### ***Other Material Written Communications***

Listed below are other material written communications between management and us related to the audit:

- Management representation letter (attached).

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements of DuPage Township as of and for the year ended March 31, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township'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 significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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 of the Township's financial statements on a timely basis. A deficiency in design exists when a control necessary to meet a control objective is missing or an existing control is not properly designed so that, even if the control operates as designed, a control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or 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.

We observed the following matters that we consider to be significant deficiencies.

### **Significant Deficiencies**

#### **Bank Reconciliations (Prior Year Comment)**

During our review of the cash transaction processes, we noted that the accountant reconciles the bank statement activity to the Township's records each month to ensure that all bank activity is authorized and accurate. In addition, all of the cash activity is agreed to the cash ledger activity to ensure transactions are recorded properly. During the audit, we noted that the cash balances per the general ledger were not reconciled to the bank statements on a timely basis and the journal entries to record cash activity had not been reviewed or approved.

In order to make the financial reports generated by the accounting system as reliable as possible, a cash reconciliation that reconciles from the bank balance to the general ledger balance should be prepared and approved on a monthly basis to determine that all cash transactions are recorded properly and any variances can be researched and resolved on a timely basis.

*Management Response:* Subsequent to yearend, we implemented a process and procedure whereby the bank accounts are reconciled monthly to the general ledger by the Office Assistant and reviewed and approved by the Assistant to the Supervisor. All bank reconciliations for FY16 were prepared subsequent to yearend and provided for the audit. In the coming year, these reconciliations and related journal entries will be prepared and approved on a timely basis.

#### **Manual Journal Entries**

During the audit, we noted that approval of manual journal entries posted to the general ledger system is not documented. These entries are included in the financial statements and approved as part of the overall review performed regularly; however, we recommend that the individual journal entries be approved each month and such approval be documented. This step can be performed on a monthly basis by reviewing the monthly journal entry report as part of the bank reconciliation review process noted above.

*Management Response:* In the coming year, review and approval of all manual journal entries will be performed and documented monthly.

## **Other Matters**

### ***Future Pronouncements and Considerations***

#### ***GASB Statement No. 72, Fair Value Measurement and Application***

On March 2, 2015, GASB released Statement No. 72, *Fair Value Measurement and Application*, which would generally require state and local governments to measure investments at fair value. GASB's goal is to enhance comparability of governmental financial statements by requiring fair value measurement for certain assets and liabilities using a consistent definition and accepted valuation techniques. This standard expands fair value disclosures to provide comprehensive information for financial statement users about the impact of fair value measurements on a government's financial position. The requirements are effective for financial statements for periods beginning after June 15, 2015, with early application encouraged. Therefore, the statement will be required to be adopted no later than the fiscal year ending March 31, 2017.

The Township should consider what additional investments may be subject to fair value measurement and if existing internal controls are sufficient. Governments also should consider if current information systems are adequate to provide the information required for the new disclosures and if any valuation specialists may be needed.

#### ***GASB Statement No. 82, Pension Issues – an amendment of GASB Statements No. 67, No. 68 and No. 73.***

GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68 and No. 73*, is effective for periods beginning after June 15, 2016, except for certain of its provisions which are effective on or after June 15, 2017. GASB 82 addresses three issues: presentation of payroll-related measures in required supplementary information, selection of assumptions and classification of employer-paid member contributions.

While not effective in the short term, we recommend the Township begin assessing the potential impact on the financial statements of this statement and begin the process of communicating the impact with those charged with governance and other stakeholders.

#### ***IRS Activity***

As outlined in their priority guidance plan for fiscal year 2016, the Internal Revenue Service (IRS) is increasing their oversight of Governmental entities tax compliance through a balanced approach of outreach, education and examination activities. The IRS plans to use and rely on data-driven analytics which will allow the IRS to improve their selections for examinations. The strategy behind this is to allow the IRS to invest their limited resources in areas that will provide the greatest impact for rising tax dollars and education. The IRS plans to focus 75% of their examinations on Governmental entities with \$10 million or more in gross wages which will allow them to maximize their wage base coverage while also allowing them to address material and significant compliance

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issues. In addition, the IRS will also conduct specific compliance initiative projects were the IRS believes there is a high risk of non-compliance.

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The Township's written responses to the significant deficiencies identified in our audit have not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on them.

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

*BKD, LLP*

Oakbrook Terrace, Illinois  
December 13, 2016

# DuPage Township

## ATTACHMENT

This analysis and the attached "Schedule of Uncorrected Misstatements (Adjustments Passed)" reflects the effects on the financial statements if the uncorrected misstatements identified were corrected.

### Governmental Activities (Government-Wide Statements)

#### QUANTITATIVE ANALYSIS

	Before Misstatements	Misstatements	Subsequent to Misstatements	% Change
Current Assets	3,747,910		3,747,910	
Non-Current Assets & Deferred Outflows	2,044,400	251,553	2,295,953	12.30%
Current Liabilities	(48,123)		(48,123)	
Non-Current Liabilities & Deferred Inflows	(3,312,994)	79,825	(3,233,169)	-2.41%
Current Ratio	77.88		77.88	
Total Assets & Deferred Outflows	5,792,310	251,553	6,043,863	4.34%
Total Liabilities & Deferred Inflows	(3,361,117)	79,825	(3,281,292)	-2.37%
Total Net Position	(2,431,193)	(331,378)	(2,762,571)	13.63%
General Revenues & Transfers	(2,377,223)		(2,377,223)	
Net Program Revenues/ Expenses	2,685,032	(331,378)	2,353,654	-12.34%
Change in Net Position	307,214	(331,378)	(24,164)	-107.87%

Client: DuPage Township  
 Period Ending: March 31, 2016

Governmental Activities (Government-Wide Statements)  
 SCHEDULE OF UNCORRECTED MISSTATEMENTS (ADJUSTMENTS PASSED)

Description	Financial Statement Line Item	Factual (F), Judgmental (J), Projected (P)	Assets & Deferred Outflows		Liabilities & Deferred Inflows		General Revenues & Transfers			Net Program Revenues/ Expenses		Net Position		Net Effect on Following Year				
			Current		Non-Current		Current		Non-Current		DR		(CR)		Change in Net Position		Net Position	
			DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)
To allocate the Township's net pension liability to the Banquet Rentals Fund			0	(4,477)	0	4,477	0	0	0	0	0	0	0	0	0			
To record variance in Net Pension Liability between Township's Actuarial Valuation report and IMRF Schedule of Changes by Employer		P	0	256,030	0	75,348	0	(331,378)	0	0	0	0	0	0				
			0	0	0	0	0	0	0	0	0	0	0	0				
			0	0	0	0	0	0	0	0	0	0	0	0				
			0	0	0	0	0	0	0	0	0	0	0	0				
			0	0	0	0	0	0	0	0	0	0	0	0				
<b>Total passed adjustments</b>			0	251,553	0	79,825	0	(331,378)	0	0	0	0	0					
												<b>Impact on Change in Net Position</b>		<b>(331,378)</b>				
												<b>Impact on Net Position</b>		<b>(331,378)</b>				

# DuPage Township

## ATTACHMENT

This analysis and the attached "Schedule of Uncorrected Misstatements (Adjustments Passed)" reflects the effects on the financial statements if the uncorrected misstatements identified were corrected.

### General Assistance

#### QUANTITATIVE ANALYSIS

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	Before Misstatements	Misstatements	Subsequent to Misstatements	% Change
Total Assets & Deferred Outflows	505,848		505,848	
Total Liabilities & Deferred Inflows	(303,400)		(303,400)	
Total Fund Balance	(202,448)		(202,448)	
Revenues	(264,317)		(264,317)	
Expenditures	225,954		225,954	
Change in Fund Balance	(38,363)		(38,363)	



# DuPage Township

## ATTACHMENT

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### General Fund

#### QUANTITATIVE ANALYSIS

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	Before Misstatements	Misstatements	Subsequent to Misstatements	% Change
Total Assets & Deferred Outflows	3,249,615		3,249,615	
Total Liabilities & Deferred Inflows	(1,996,703)		(1,996,703)	
Total Fund Balance	(1,252,912)		(1,252,912)	
Revenues	(2,148,259)		(2,148,259)	
Expenditures	2,076,950		2,076,950	
Change in Fund Balance	(71,309)		(71,309)	

**Client: DuPage Township**  
**Period Ending: March 31, 2016**

**General Fund**

*SCHEDULE OF UNCORRECTED MISSTATEMENTS (ADJUSTMENTS PASSED)*

Description	Financial Statement Line Item	Factual (F), Judgmental (J), Projected (P)	Assets & Deferred		Liabilities &		Revenues			Expenditures		Fund Balance		Net Effect on Following Year				
			Outflows		Deferred Inflows		DR		(CR)		DR		(CR)		Change in Fund Balance		Fund Balance	
			DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)
To record transfer from General Assistance and Banquet Rentals Funds as reimbursement of IMRF expense that was paid by Town Fund (transfers in and expense net to zero within this fund)				0		0										0		0
				0		0										0		0
				0		0										0		0
				0		0										0		0
				0		0										0		0
				0		0										0		0
<b>Total passed adjustments</b>				<u>0</u>	<u>0</u>	<u>0</u>			<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
													<b>Impact on Change in Fund Balance:</b>		<b>0</b>			
													<b>Impact on Fund Balance</b>		<b>0</b>			

# DuPage Township

## ATTACHMENT

This analysis and the attached "Schedule of Uncorrected Misstatements (Adjustments Passed)" reflects the effects on the financial statements if the uncorrected misstatements identified were corrected.

### Banquet

#### QUANTITATIVE ANALYSIS

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	Before Misstatements	Misstatements	Subsequent to Misstatements	% Change
Current Assets	138,535		138,535	
Non-Current Assets & Deferred Outflows		4,477	4,477	
Current Liabilities	(34,125)		(34,125)	
Non-Current Liabilities & Deferred Inflows		(4,477)	(4,477)	
Current Ratio	4.060		4.060	
Total Assets & Deferred Outflows	138,535	4,477	143,012	3.23%
Total Liabilities & Deferred Inflows	(34,125)	(4,477)	(38,602)	13.12%
Total Net Position	(104,410)		(104,410)	
Operating Revenues	(147,850)		(147,850)	
Operating Expenses	142,032		142,032	
Nonoperating Revenues (Exp)	(100)		(100)	
Change in Net Position	(5,918)		(5,918)	

**Client: DuPage Township**  
**Period Ending: March 31, 2016**

**Banquet**

**SCHEDULE OF UNCORRECTED MISSTATEMENTS (ADJUSTMENTS PASSED)**

Description	Financial Statement Line Item	Factual (F), Judgmental (J), Projected (P)	Assets & Deferred Outflows				Liabilities & Deferred Inflows				Operating				Net Effect on Following Year			
			Current		Non-Current		Current		Non-Current		Revenues		Expenses		Revenues (Exp)		Net Position	
			DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)
To record transfer to Town Fund for reimbursement of IMRF expense paid by Town Fund (transfer out and IMRF expense net to zero within this Fund)			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
To allocate the Township's net pension liability to the Banquet Rentals Fund			0	4,477	0	(4,477)	0	0	0	0	0	0	0	0	0	0	0	
			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
<b>Total passed adjustments</b>			0	4,477	0	(4,477)	0	0	0	0	0	0	0	0	0	0	0	
														<b>Impact on Change in Net Position</b>		<b>0</b>		
														<b>Impact on Net Position</b>		<b>0</b>		