

# CITY OF WHEATON, ILLINOIS

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## MANAGEMENT LETTER

FOR THE EIGHT MONTHS ENDED  
DECEMBER 31, 2018



May 6, 2019

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

In planning and performing our audit of the financial statements of the City of Wheaton (City), Illinois, for the eight months ended December 31, 2018, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

We do not intend to imply that our audit failed to disclose commendable aspects of your system and structure. For your consideration we herein submit our comments and suggestions which are designed to assist in effecting improvements in internal controls and procedures. Those less significant matters, if any, which arose during the course of the audit, were reviewed with management as the audit field work progressed.

The accompanying comments and recommendations are intended solely for the information and use of the City Council, management, and others within the City of Wheaton, Illinois.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various City personnel. We would be pleased to discuss our comments and suggestions in further detail with you at your convenience, to perform any additional study of these matters, or to review the procedures necessary to bring about desirable changes.

We commend the finance department for the well-prepared audit package and we appreciate the courtesy and assistance given to us by the entire City staff.

*Lauterbach & Amen, LLP*

LAUTERBACH & AMEN, LLP

## PRIOR RECOMMENDATIONS

1. **GASB STATEMENT NO. 74 FINANCIAL REPORTING FOR POST-EMPLOYMENT BENEFIT PLANS OTHER THAN PENSION PLANS AND GASB STATEMENT NO. 75 ACCOUNTING AND FINANCIAL REPORTING FOR POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS**

Comment

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 74, *Financial Reporting for Post-Employment Benefits Plans Other Than Pension Plans*, which applies to individual postemployment benefit plans, and Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*, which applies to the state and local government employers that sponsor the plans. The Statements apply to the reporting of other post-employment benefits, including medical, dental, life, vision and other insurance coverages provided by the employer post-employment. The Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to the other post-employment benefit plans, and specifically identify the methods and assumptions that are to be used in calculating and disclosing these OPEB accounts in the financial statements. The Statements also provide for additional note disclosures and required supplementary information and are intended to improve information provided by state and local government employers regarding financial support to their OPEB plans. GASB Statement No. 75 applies to the employer's reporting of other post-employment benefit plans and is applicable to the City's financial statements for the year ended December 31, 2018.

Recommendation

We recommend that the City reach out to the private pension actuary engaged to provide the OPEB actuarial calculations in order to confirm the timeline for implementation and to review requested materials that will be required in order to implement the provisions and requirements of the new Statements. Lauterbach & Amen, LLP will also work directly with the City to assist in the implementation process, including assistance in determining the implementation timeline with the City and private actuary, providing all framework for the financial statements in order to complete the implementation, and assist in answering any questions or concerns the City might have related to the implementation process or requirements.

Status

This comment has been implemented and will not be repeated in the future.

## **PRIOR RECOMMENDATIONS – Continued**

### **2. RECORDING OF UTILITY INFRASTRUCTURE RETIREMENTS**

#### Comment

During our current and prior year-end audit procedures, we noted that the Water Fund and Sanitary Sewer Fund do not record retirements of infrastructure as these items are replaced. This can result in the carrying value of capital assets and the related accumulated depreciation becoming overstated.

#### Recommendation

We recommended that management evaluate the value of their current system as they have added assets, but have not had disposals. The impact is not considered to be material as most of the assets that should have been disposed of are likely fully depreciated.

#### Management Response

The comment was only a recommendation by the auditors and was not an internal control deficiency. The Finance Department is looking to the new Public Works software system to assist in the record keeping of water mains, sanitary sewers and storm sewers. A detailed history and inventory of infrastructure assets has not been readily available in a format needed for the Finance Department to effectively account for the disposition of these assets. Once the software is fully implemented, the Finance Department will be able to identify the cost and accumulated depreciation of assets that are retired and account for these transactions. Staff will work on eliminating this recommendation in the near future.