

WARRENVILLE PUBLIC LIBRARY DISTRICT  
WARRENVILLE, ILLINOIS

MANAGEMENT LETTER

June 30, 2010



Certified Public Accountants & Advisors



998 Corporate Boulevard • Aurora, IL 60502

Board of Trustees  
Warrenville Public Library District  
Warrenville, Illinois

In planning and performing our audit of the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Warrenville Public Library District (the District) as of and for the year ended June 30, 2010, in accordance with the modified cash basis of accounting, we considered its 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 its internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls.

We identified certain matters that are opportunities for strengthening internal controls and operating efficiency, of which management should be aware. We also reviewed the status of the recommendations from the prior year audit. 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 District'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 President, the Board of Trustees and management and others within the administration and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read 'Sikich LLP'.

Aurora, Illinois  
October 1, 2010

## OTHER COMMENTS

### 1. Deficit Fund Balances

The following funds had a deficit in fund balance as of the date of June 30, 2010:

Fund	Deficit Balance
Major Governmental Funds	
General	\$ 17,788
Nonmajor Governmental Funds	
Audit	746
Building, Equipment and Maintenance	4,380

We recommend that the District develop a plan to systematically reduce and, if possible, retire the above deficiencies.

### 2. Future Accounting Pronouncements

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

GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* (Issued 6/08), requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The guidance in this Statement also addresses hedge accounting requirements and is effective for the District's fiscal year ending June 30, 2011.

GASB Statement No 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (Issued 2/09), is intended to improve the usefulness of information provided to financial report users about fund balance by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing governmental fund types. Statement No. 54 is effective for the District's fiscal year ending June 30, 2011.

GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans* (Issued 12/09). This Statement amends Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, to permit an agent employer that has an individual-employer OPEB plan with fewer than 100 total plan members to use the alternative measurement method, at its option, regardless of the number of total plan members in the agent multiple-employer OPEB plan in which it participates. In addition, this Statement clarifies the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. Statement No. 57 is effective for the District's fiscal year ending June 30, 2012.

## **OTHER COMMENTS (Continued)**

### **2. Future Accounting Pronouncements (Continued)**

GASB Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies* (Issued 12/09), provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. Statement No. 58 is effective for the District's fiscal year ending June 30, 2011.

GASB Statement No. 59, *Financial Instruments Omnibus* (Issued 6/10). This Statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. Statement No. 59 is effective for the District's fiscal year ending June 30, 2011.

We will advise the District of any progress made by GASB in developing these and other future pronouncements that may have an impact on the financial position and changes in financial position of the District.

**APPENDIX A  
STATUS OF PRIOR YEAR RECOMMENDATIONS**

**OTHER COMMENTS**

**1. Deficit Fund Balances**

The following funds had a deficit in fund balance as of the date of June 30, 2009:

Fund	Deficit Balance
Major Governmental Funds	
General	\$ 59,589
Nonmajor Governmental Funds	
Audit	1,394
Building, Equipment and Maintenance	1,425

We recommend that the District develop a plan to systematically reduce and, if possible, retire the above deficiencies.

**Status** - Comment still applicable as of June 30, 2010. See current comment above regarding deficit fund balances.

**2. Library Foundation**

The District should continue to review the financial statements of the District Foundation and evaluate if the Foundation is a component unit in accordance with Statement No. 39, *Determining Whether Certain Organizations Are Component Unit*. It is a matter of professional judgment to determine whether the nature and the significance of a potential component unit's relationship with the primary government warrant inclusion in the reporting entity. Certain organizations warrant inclusion as part of the financial reporting entity because of the nature and significance of their relationship with the primary government, including their ongoing financial support of the primary government. A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met:

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents.
2. The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
3. The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

**Status** - Comment still applicable as of June 30, 2010.

## **OTHER COMMENTS (Continued)**

### **3. Petty Cash Accounts**

The District maintains one petty cash account of \$250. We counted petty cash during the audit, noting there was \$250 but \$185 recorded on the general ledger. In order to make the financial reports generated by the accounting system as meaningful as possible, the District should record the proper petty cash amount on the general ledger. The District should reconcile the general ledger accounts to supporting documentation on a monthly basis. A benefit of monthly reconciliations is that errors do not accumulate but can be identified and attributed to a particular period, which makes it easier to perform future reconciliations. We also recommend that restrictions should be set with regard to the type and amount of transactions that can be handled through petty cash. All disbursements should be approved by an authorized person and supported by petty cash receipts indicating the proper expense account. To prevent possible reuse, petty cash receipts and supportive documents should be cancelled by stamping them as paid.

**Status** - Comment implemented as of June 30, 2010.