

Finance Committee and Management  
Village of Alsip  
Alsip, Illinois

In planning and performing our audit of the financial statements of the Village of Alsip (the "Village") as of and for the year ended April 30, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the Village'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 Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village'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 such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies 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 on a timely basis.

### **Material Weakness**

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiency in the Village's internal control to be a material weakness, which was identified and reported on in prior periods and was still in existence during the course of our current audit.

### ***Preparation of Financial Statements and Audit Adjustments***

The Village has historically engaged Clifton Gunderson to assist it in preparing its financial statements and accompanying disclosures as well as proposing certain journal entries related to adjusting the Village's financial statements from a cash basis to a modified accrual basis or to an accrual basis, as necessary. This has been done both as a matter of convenience for management in completing the year-end financial work as well as to ensure that the reports are presented in compliance with current reporting standards and that all disclosures are complete and accurate. In many larger organizations, this function can be performed in-house, where there is sufficient expertise in accounting and financial reporting to provide a high level of assurance that any potential material omissions or errors in reporting would be identified and corrected. The financial statement preparation process is part of the internal control system for these organizations. However, in smaller operations such as the Village, where budgetary constraints prohibit the hiring of additional personnel with an up to date understanding of all of the recent accounting pronouncements, existing financial personnel may not be able to perform this function with the same high level of assurance. As such, Clifton Gunderson will continue to

provide this service to the Village as part of the year-end financial audit. However, we wish to remind you that as your auditors we are not part of your internal control system.

### **Other Matters**

In addition to the significant deficiencies discussed above, we noted the following matters which we would like to bring to your attention.

#### ***Control Environment***

##### Financial and Budgetary Reporting

The Village did not prepare an expenditure budget for the following funds: Special Tax Allocation and Insurance, which are Special Revenue Funds; Tax Incremental Financing District and the 2005B and 2009A Projects, which are part of the Debt Service Fund; Capital Projects Fund.

We recommend that the Village adopt expenditure budgets for the aforementioned funds, thus providing an effective way to measure and monitor results.

#### ***Compliance Considerations***

##### **A. Fund Deficit**

The Village's Road and Bridge Special Revenue Fund had deficits at April 30, 2011 and 2010 of \$2,031,754 and \$2,131,042, respectively. The Road and Bridge Fund for 2011 produced positive results, where the Fund's operating revenues exceeded its expenditures by approximately \$99,000. The deficit is primarily the result of the Village incurring substantial street repairs and resurfacing projects during 2004 - 2007.

We recommend that the Village continue to review the adequacy of the existing revenues to finance the Road and Bridge Fund in addition to the potential assessment of property taxes for the street and bridge area. If alternative revenue sources are not available or if existing revenue sources cannot be increased, the Village needs to decrease the Fund's operating expenditures.

##### **B. Amounts due to Cook County**

In a prior period, we noted that the Village contracted with Cook County on road work, where the Village's portion of approximately \$1,500,000 was covered by the County; however, it was to be repaid by the Village. To date, the County has not submitted an invoice for the amount due.

We recommend that the Village investigate the amount due to Cook County and repay the amount to avoid any penalties. Additionally, the Village should consider budgeting for the repayment of this amount.

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

*Clifton Henderson LLP*

Oak Brook, Illinois  
November 3, 2011