

CITY OF DEKALB, ILLINOIS

MANAGEMENT LETTER

June 30, 2016





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 DeKalb, Illinois

Ladies and Gentlemen:

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of DeKalb, Illinois (the City) as of and for the year ended June 30, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances 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 and therefore material weaknesses may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

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 a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the City'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.

The City's written responses to these matters identified in our audit have not been subjected to the audit procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of the Mayor, the City Council, and management of the City and is not intended to be and should not be used by anyone other than these specified parties.

Sikich LLP

Naperville, Illinois
December 19, 2016

SIGNIFICANT DEFICIENCY

1. Capital Assets

During our testing of capital assets we identified a number of items within the capital asset detail records that required adjustments during the current year as well as a prior period adjustment to the City's financial statements as of July 1, 2015. These items included:

- Assets that were disposed of in the prior year, but the related accumulated depreciation was not removed.
- Assets that had been previously disposed, or partially disposed, that were not removed from the records, but rather a negative asset component was added to the detail. This created instances in which the original asset was being depreciated but the negative component was not.
- An asset that had remained in Construction in Progress for several years, but had been placed in service during that time.

We recommend that the capital asset details be reviewed during the year to ensure that these items are identified and corrected.

Management Response

In prior years the audit team has done all journal entries related to capital assets. For FY 2016, City Finance staff pulled all this work in house to eliminate from having to pay an hourly fee to the audit team for this work. Staff is aware of these entries and has incorporated all changes in to our current work papers. Moving forward staff will ensure capital assets are reviewed on a monthly basis to have better control on all asset changes throughout the year.