

CITY OF EVANSTON, ILLINOIS

COMMUNICATIONS FROM AUDITOR TO
MANAGEMENT AND THE CITY COUNCIL

(Including Memorandum on Accounting
Procedures, Internal Controls and Other Matters)

February 28, 2011

CITY OF EVANSTON

INDEX

	<u>Page No.</u>
Report on Internal Control	1
Introduction	3
Material Weaknesses	3
Significant Deficiencies	6
Recommendations/Observations	7
Proposed and Issued GASB Changes	8
Two Way Auditor Communication – <i>STATEMENT ON AUDITING STANDARDS (SAS) No. 114</i> <i>The Auditor's Communication With Those Charged with Governance</i>	9
Required Communications with Those Charged With Governance	11
Appendix A – Summary of Passed Adjusting Journal Entries	
Appendix B – Management Representations	

To Honorable Elizabeth B. Tisdahl, Mayor and
Members of the City Council
Evanston, Illinois

In planning and performing our audit of the financial statements of City of Evanston as of and for the year ended February 28, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered its internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions 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 its 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, which are defined by auditing standards to fall within three categories:

- > A **control deficiency** 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 **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.
- > 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis.

We have noted deficiencies at the City of Evanston and classified them based on the above definitions accordingly. These are described in detail in the pages that follow this report.

The City of Evanston's written responses to the material weaknesses, significant deficiencies, and other items identified in our audit has not been subjected to the audit procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

Honorable Elizabeth B. Tisdahl, Mayor and
Members of the City Council
Evanston, Illinois

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

Oak Brook, Illinois
August 26, 2011

INTRODUCTION

In planning and performing our audit of the financial statements of the City of Evanston, Illinois for the year ended February 28, 2011, we considered the City's internal control to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control.

Below is a list of potential controls that, if in place, would achieve a higher level of reliability that errors or irregularities in your processes would be discovered by your staff. Our procedures identified that these controls do not currently exist, or are not designed or implemented properly, for the City. Keep in mind that some of these controls may not be practical due to your staff size or other reasons. You should also consider the costs of making improvements to the expected benefits. However, current professional standards require us to communicate these to you. In addition, as you make changes within your organization, and we continue to rotate audit procedures, more controls of this kind may be communicated to you.

A separate report will contain our report on internal control. This letter does not affect our report on the financial statements of City of Evanston.

MATERIAL WEAKNESSES

JOURNAL ENTRIES

The ability to prepare and initiate journal entries is delegated to various levels of finance employees. These entries do not post to the system until the Accounting Manager reviews and approves them. However, there is no review and approval of journal entries initiated and recorded by the Accounting Manager. An entry could be made or improperly supported without the City's knowledge.

CITY RESPONSE:

The City believes there are adequate controls in place for journal entry management. It is not common for organizations to have three steps in journal entry review and is much more accepted to have entries done by one staff member and reviewed by the manager. To add another level of management/review would be overly redundant and not cost efficient.

The City made changes during the fiscal year allowing only the Accounting Manager to approve journal entries based on the auditor's recommendation last year. Department directors periodically review transactions posted to their business units to identify/investigate any material variances from the budget numbers. The Budget Division prepares monthly financials which would serve as yet another tool to discover any material misstatements.

MATERIAL WEAKNESSES (cont.)

EXTERNAL FINANCIAL REPORTING

The system of internal controls over financial reporting is addressed by auditing standards. In theory, a good system of internal controls staffed with enough people with enough training would provide your organization with the ability to not only process and record monthly transactions, but also to prepare a complete set of annual financial statements.

The current standard makes it clear that the definition of a material weakness in internal control should now include consideration of the year-end financial reporting process. To avoid the auditor reporting a material weakness in internal controls, your system of controls would need to be able to accomplish the following:

1. Present the books and records to the auditor in such a condition that the auditor is not able to identify any material journal entries for the current or prior periods as a result of our audit procedures. This is very rare indeed for most of our clients.
2. Prepare a complete set of year-end financial statements with a very high level of accuracy. The current standard requires that the level of accuracy be such that there is only a remote likelihood that the auditor discovers a material change to the statements or footnotes. While a number of our clients prepare their own statements, it may not be cost beneficial to scrutinize those statements internally to the same degree that the auditor will do later. If the auditor, therefore, discovers a material change to the statements, by definition, the system of internal controls over financial reporting must have a material weakness.

To accomplish such a high level of internal control over financial reporting is a difficult task for most governments. During the course of our audit, a material misstatement of the financial records was found, resulting in an audit adjusting entry prepared by the City. The adjustment to the financial statements was a restatement of net assets to record the prior year ERI liability in the Governmental Activities, Water Fund, Sewer Fund and Parking Fund for \$6,798,305, \$711,451, \$158,100 and \$237,150 respectively.

MATERIAL WEAKNESS (cont.)

EXTERNAL FINANCIAL REPORTING (CONTINUED)

This entry was necessary to ensure that the financial statements are fairly stated and, in our judgment, was material to the financial statements. Management subsequently recorded these amounts.

As noted above, the design and implementation of internal controls over financial reporting are the responsibility of the City as emphasized in Statement of Auditing Standards statement No. 115, *Communicating Internal Control Related Matters in an Audit*. We have observed that the improper design and implementation is normally a constraint of cost containment and lack of staffing available to public entities.

CITY RESPONSE:

The City issued \$8,000,000 Series 2010B Bonds during the fiscal year to pay off Early Retirement Incentive (ERI) Pension liability to IMRF. The liability was the result of ERI offer accepted by several employees during the FY 2007-08. While performing the Audit for FY 2010-11, the Auditors felt the need to restate the financials for Governmental activities, Water Fund, Sewer Fund and Parking Fund for the proportionate amount of Series 2010B Bonds as mentioned above. This liability was actually

incurred in 2007-08 and 2008-09. During 2008-09 and 2009-10 the City paid an additional charge to IMRF for the defeasance of the ERI.

SIGNIFICANT DEFICIENCIES

INFORMATION TECHNOLOGY

As part of the audit, we were required to identify the processes in place that provide a controlled information technology (IT) environment for the applications, supporting systems and infrastructure determined to be critical to the financial statement audit. We documented the processes in place for each of the three main areas of focus: change management, logical access and IT operations. We then assessed the design effectiveness of each of these processes and noted the following opportunities to strengthen the City's IT controls.

The City has some logical restrictions in place, such as requiring a unique user ID and password to access the systems. Through our discussions with the City and related observations, we noted that the Network password login from the active directory requires eight characters and is changed every 90 days; password complexity is required and the system remembers the last five passwords. Some of the City's software systems such as AQUAS and PAL also follow these password criteria. Other of the City's software systems such as CryWolf, JDE and RecTrac require passwords; however they are not in line with recommended password complexity standards. Best practices indicate that other steps could be taken to further ensure the integrity of the data. All passwords should be changed periodically. They should also meet the industry standards for length, expiration, characters, and history (passwords cannot be repeated). However, we understand that purchased software cannot always be modified in order to strengthen password complexity requirements.

CITY RESPONSE – Provided by Information Technology (IT):

The referenced systems – CryWolf, JDE and RecTrac are purchased packages and the City cannot change the password handling in these systems. JDE could be upgraded to use our Active Directory and then would be in compliance with best practices. The City prevents any issues with the utilization of these software systems by requiring a system software password for the use of any City system. In effect, a user must enter a password that meets or exceeds the above referenced definitions (character length, complexity and history).

CASH RECEIPTS CONTROLS

In an optimal internal control environment, certain control processes and segregation of duties would exist in order to prevent a misstatement of financial information. This is accomplished when no single person can initiate, record, and control distribution of a single transaction or series of transactions. In some instances, the personnel constraints of many organizations do not always allow for ideal segregation of duties. However, it is our responsibility as auditors to communicate this deficiency.

During the course of our audit, we noted that the Operations Coordinator in the Collector's Office is responsible for reconciling daily cash receipts collected by the cashiers, preparing the deposit for pickup by Garda, and posting receipts to the City's accounting system. This presents a risk of the misappropriation of cash receipts to be concealed within the accounting system. We recommend that a second individual review the amount prepared for deposit in comparison to the original cash register reports and amounts posted to the general ledger for accuracy.

CITY RESPONSE:

The City specifically asked for and received an audit of Collector's Office operations, which is attached. The City concurs with the Auditor's recommendation of review by second person.

RECOMMENDATIONS/OBSERVATIONS

DEFICIT FUND NET ASSETS

At February 28, 2011, the City's Insurance Internal Activity Fund, reported deficit fund net assets of \$4,937,496. The Insurance Fund began the year with a deficit net asset balance of \$4,128,203. As this is an internal service fund, all revenues and transfers of net assets are supported by the City's other funds including the General Fund, Water Fund, and Sewer Fund. These funds are expected to subsidize the Insurance Internal Service Fund's improvement in future years.

CITY RESPONSE:

The City agrees to the above deficit fund net asset numbers for the Insurance Fund. The City started making inter-fund transfers from the other funds during the 2010-11 fiscal year to reflect proportionate estimated insurance costs for those funds. It is worth noting that the Insurance Fund had a positive cash balance of approximately \$1.1 million at the beginning of the year and the negative fund balance is mainly due to an accrual for short/long-term claims payable recorded For the potential liability In the Fund financial statements for the year ended February 28, 2011.

PROPOSED AND ISSUED GASB CHANGES

GASB No. 54: FUND BALANCE REPORTING AND GOVERNMENTAL FUND TYPE DEFINITIONS

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, which changes governmental financial reporting. These changes will affect the City's financial statements in the future, primarily the governmental fund balance sheet presentation. The major change is to the terminology used for fund balance reporting. Reserved, unreserved, and designated terms are all being replaced with nonspendable, restricted, committed, assigned, and unassigned terms and definitions.

The GASB made these changes to fund balance reporting to make it easier for the reader of financial statements to determine the various levels of restrictions that may exist for the future use of fund balance. In addition to the new method for displaying fund balances, the Statement also clarifies the definitions of the various governmental fund types. The changes are effective for the City's year ending December 31, 2011 following the City's change in fiscal year end.

GASB STATEMENT NO. 61: THE FINANCIAL REPORTING ENTITY: OMNIBUS

The Governmental Accounting Standards Board (GASB) has issued Statement No.61, which changes governmental financial reporting for component units. These changes will affect your financial statements for the year ended December 31, 2013, primarily the government-wide financial statements, and possibly the fund financial statements.

This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government's management determines that it would be misleading to exclude them, this Statement clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination.

This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. For component units that currently are blended based on the "substantively the same governing body" criterion, it additionally requires that (1) the primary government and the component unit have a financial benefit or burden relationship or (2) management (below the level of the elected officials) of the primary government have operational responsibility (as defined) for the activities of the component unit. New criteria also are added to require blending of component units whose total debt outstanding is expected to be repaid entirely or almost entirely with resources of the primary government. The blending provisions are amended to clarify that funds of a blended component unit have the same financial reporting requirements as a fund of the primary government. Lastly, additional reporting guidance is provided for blending a component unit if the primary government is a business-type activity that uses a single column presentation for financial reporting.

This Statement also clarifies the reporting of equity interests in legally separate organizations. It requires a primary government to report its equity interest in a component unit as an asset.

You will need to determine how these new requirements will affect your financial statements.

**TWO WAY AUDITOR COMMUNICATION – STATEMENT ON AUDITING STANDARDS (SAS) NO. 114
THE AUDITOR'S COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE**

Current auditing standards establish requirements and provide guidance to an auditor's communication with those charged with governance in relation to an audit of financial statements. The standard defines those charged with governance as the person(s) with responsibility for overseeing the strategic direction of the entity and obligations related to accountability of the entity. Most times in local government those charged with governance means the governing body.

Among other things, the SAS directs the auditor to communicate with those charged with governance –

- > The auditor's responsibilities under generally accepted auditing standards
- > An overview of the planned scope and timing of the audit; and
- > Significant findings from the audit.
- > Regarding the last bullet point, significant findings from the audit, the auditor should communicate:
 - > The auditor's view about qualitative aspects of significant accounting practices
 - > Significant difficulties, if any, encountered during the audit
 - > Uncorrected misstatements
 - > Disagreements with management, if any
 - > Other findings or issues
- > Unless all of those charged with governance are involved in managing the entity, the following should also be communicated:
 - > Material corrected misstatements
 - > Representations the auditor is requesting from management
 - > Managements consultations with other accountants
 - > Significant issues, if any, arising from the audit, or subject of correspondence, with management.

How does this impact the City of Evanston? We are providing increased communications to you throughout the audit process. We have previously issued an additional letter to you covering the items noted above. The new requirements provide for two-way communication and are important in assisting the auditor and you with more information relevant to the audit.

In addition, as this audit is concluded, we use what we have learned to begin the planning process for next year's audit. It is important that you understand the following points about the scope and timing of our next audit:

- a. We address the significant risks of material misstatement, whether due to fraud or error, through our detailed audit procedures.

**TWO WAY AUDITOR COMMUNICATION – STATEMENT ON AUDITING STANDARDS (SAS) NO. 114
THE AUDITOR'S COMMUNICATION WITH THOSE CHANGES WITH GOVERNANCE (cont.)**

- b. We will obtain an understanding of the five components of internal control sufficient to assess the risk of material misstatement of the financial statements whether due to error or fraud, and to design the nature, timing, and extent of further audit procedures. We will obtain a sufficient understanding by performing risk assessment procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented. We will use such knowledge to:
 - > Identify types of potential misstatements.
 - > Consider factors that affect the risks of material misstatement.
 - > Design tests of controls, when applicable, and substantive procedures.
- c. We will not express an opinion on the effectiveness of internal control over financial reporting or compliance with laws, regulations, and provisions of contracts or grant programs. For audits done in accordance with Government Auditing Standards, our report will contain the following restriction: "This report is intended solely for the information and use of the client's management, others within the City, federal (and state) awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties."
- d. The concept of materiality recognizes that some matters, either individually or in the aggregate, are important for fair presentation of financial statements in conformity with generally accepted accounting principles while other matters are not important. In performing the audit, we are concerned with matters that, either individually or in the aggregate, could be material to the financial statements. Our responsibility is to plan and perform the audit to obtain reasonable assurance that material misstatements, whether caused by errors or fraud, are detected.

We are very interested in your views regarding certain matters. Those matters are listed here:

- a. We typically will communicate with your top level of management unless you tell us otherwise.
- b. We understand that the City Council has the responsibility to oversee the strategic direction of your organization, as well as the overall accountability of the entity. Management has the responsibility for achieving the objectives of the City.
- c. We need to know your views about your City's objectives and strategies, and the related business risks that may result in material misstatements.
- d. Which matters do you consider warrant particular attention during the audit, and are there any areas where you request additional procedures to be undertaken?
- e. Have you had any significant communications with regulators?
- f. Are there other matters that you believe are relevant to the audit of the financial statements?

Also, is there anything that we need to know about the attitudes, awareness, and actions of the City concerning:

- a. The City's internal control and its importance in the City, including how those charged with governance oversee the effectiveness of internal control?
- b. The detection or the possibility of fraud?

**TWO WAY AUDITOR COMMUNICATION – STATEMENT ON AUDITING STANDARDS (SAS) NO. 114
THE AUDITOR’S COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE (cont.)**

We also need to know if you have taken actions in response to developments in financial reporting, laws, accounting standards, governance practices, or other related matters, or in response to previous communications with us.

With regard to the timing of our audit, here is some general information. We completed preliminary audit work during the month of April. Our final fieldwork was completed in June. After fieldwork, we wrap up our audit procedures at our office. Final copies of our report and other communications are issued after approval by your staff.

REQUIRED COMMUNICATIONS WITH THOSE CHARGED WITH GOVERNANCE

The following section presents communications required by our professional standards.

OUR RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA, OMB CIRCULAR A-133 AUDIT GUIDELINES

The objective of a financial statement audit is the expression of an opinion on the financial statements. We conducted the audit in accordance with auditing standards generally accepted in the United States of America. These standards require that we plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements prepared by management with your oversight are free of material misstatement, whether caused by error or fraud. Our audit included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit does not relieve management or those charged with governance of their responsibilities.

As part of the audit we obtained an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing and extent of further audit procedures. The audit was not designed to provide assurance on internal control or to identify deficiencies in internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the City of Evanston’s compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit.

Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the City’s compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of the City’s major programs for the purpose of expressing an opinion on the City’s compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the City’s compliance with those requirements.

We have issued a separate document which contains the results of our audit procedures to comply with OMB Circular A-133.

REQUIRED COMMUNICATIONS WITH THOSE CHARGED WITH GOVERNANCE (cont.)

OTHER INFORMATION IN DOCUMENTS CONTAINING AUDITED FINANCIAL STATEMENTS

Our responsibility does not extend beyond the audited financial statements identified in this report. We do not have any obligation to and have not performed any procedures to corroborate other information contained in client prepared documents, such as official statements related to debt issues.

PLANNED SCOPE AND TIMING OF THE AUDIT

We performed the audit according to the planned scope and timing previously communicated to you in our letter accompanying the February 28, 2010 audited financial statements.

QUALITATIVE ASPECTS OF THE ENTITY'S SIGNIFICANT ACCOUNTING PRACTICES***Accounting Policies***

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City of Evanston are described in Note 1 to the financial statements. The City of Evanston has adopted the provisions of GASB Statement No. 51 – *Accounting and Financial Reporting for Intangible Assets*, as of March 1, 2010. The application of existing policies was not changed during fiscal year 2010-2011. We noted no transactions entered into by the City of Evanston during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

REQUIRED COMMUNICATIONS WITH THOSE CHARGED WITH GOVERNANCE (cont.)

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Depreciation expense
- Allowance for doubtful accounts
- Insurance claims payable
- OPEB liability

We evaluated the key factors and assumptions used to develop these estimates in determining they are reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

The disclosures in the financial statements are neutral, consistent, and clear.

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

We encountered no significant difficulties in dealing with management in performing our audit.

AUDIT ADJUSTMENTS

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the City of Evanston's financial reporting process. Matters underlying adjustments proposed by the auditor could potentially cause future financial statements to be materially misstated.

REQUIRED COMMUNICATIONS WITH THOSE CHARGED WITH GOVERNANCE (cont.)

The following audit adjustment, in our judgment, indicates matters that could have a significant effect on the City of Evanston's financial reporting process. Restatement of net assets to record the prior year ERI liability in the Governmental Activities, Water Fund, Sewer Fund and Parking Fund for \$6,798,305, \$711,451, \$158,100 and \$237,150 respectively.

In addition, the attached schedule in Appendix A of this report summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

DISAGREEMENTS WITH MANAGEMENT

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

REQUIRED COMMUNICATIONS WITH THOSE CHARGED WITH GOVERNANCE (cont.)

CONSULTATIONS WITH OTHER INDEPENDENT ACCOUNTANTS

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

MANAGEMENT REPRESENTATIONS

We have requested certain representations from management that are included in the management representation letter, and attached as Appendix B to this report.

INDEPENDENCE

We are not aware of any relationships between Baker Tilly Virchow Krause, LLP and the City of Evanston that, in our professional judgment, may reasonably be thought to bear on our independence.

Relating to our audit of the financial statements for the year ended February 28, 2011, Baker Tilly Virchow Krause, LLP hereby confirms in accordance with the Code of Professional Conduct issued by the American Institute of Certified Public Accountants, that we are, in our professional judgment, independent with respect to the City of Evanston and provided no services to the City of Evanston other than the audit of the current year's financial statements and non-audit services which in our judgment do not impair our independence.

- > Compiled regulatory report (Annual Financial Report)

OTHER AUDIT FINDINGS OR ISSUES

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City of Evanston's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

It was a pleasure to work with the City's Accounting and Finance staff again this year. We would like to thank you for allowing us to serve you and we look forward to the opportunity to work with the City in the future. If there are any questions, please contact: Jason Coyle - 630-645-6205.

This report is intended solely for the information and use of City of Evanston's management, others within the entity, federal and state awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than the specified parties.

City of Evanston
SUMMARY OF PROPOSED ADJUSTING JOURNAL ENTRIES
February 28, 2011

	Financial Statements Effect - Increase (Decrease) to Financial Statement Total					
	Total Assets	Total Liabilities	Total Revenues	Total Fund Balance/ Net Assets	Total Expenses/ Expenditures	Change in Net Assets/ Fund Balances
Governmental Activities	1,509,609	-	481,300	(1,009,930)	(18,379)	(510,251)
Business-Type Activities	108,422	138,422	(30,000)	-	-	(30,000)
General Fund	166,665	-	166,665	(229,208)	(229,208)	166,665
Employer Pension Contribution Fund	120,166	-	120,166	-	-	120,166
Water Fund	108,422	138,422	(30,000)	-	-	(30,000)
Remaining Funds	194,469	-	194,469	-	-	194,469

Conclusion:

We have reviewed the summary of proposed adjusting journal entries. Based on the results of the evaluation performed above, uncorrected differences, individually and in the aggregate, do not cause the financial statements and notes taken as a whole to be materially misstated. Therefore, there is no need to post these proposed adjustments.