

VILLAGE OF JOHNSBURG,  
ILLINOIS

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MANAGEMENT LETTER

FOR THE FISCAL YEAR ENDED  
APRIL 30, 2021



April 29, 2022

The Honorable Village President  
Members of the Board of Trustees  
Village of Johnsburg, Illinois

In planning and performing our audit of the financial statements of the Village of Johnsburg (Village), Illinois, for the year ended April 30, 2021, 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 Finance Committee, Board of Trustees, management, and others within the Village of Johnsburg, 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 Village 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 Village staff.

*Lauterbach & Amen, LLP*

LAUTERBACH & AMEN, LLP

## CURRENT RECOMMENDATIONS

### 1. GASB STATEMENT NO. 87 LEASES

#### Comment

In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87, *Leases*, which provides guidance regarding the information needs of financial statement users by improving accounting and financial reporting for leases by governments. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. In accordance with GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which was issued as temporary relieve to governments and other stakeholders in light of the COVID-19 pandemic, GASB Statement No. 87, *Leases* is applicable to the Village's financial statements for the year ended April 30, 2023.

#### Recommendation

Lauterbach & Amen, LLP will work directly with the Village to review the new lease criteria in conjunction with the Village's current leases to determine the appropriate financial reporting for these activities under GASB Statement No. 87.

#### Management Response

The Village will work with Lauterbach & Amen, LLP to insure that the required financial reporting is performed in accordance with GASB Statement No. 87.

## **PRIOR RECOMMENDATIONS**

### 1. **JOURNAL ENTRY REVIEW AND APPROVAL**

#### Comment

Previously and during our current year-end audit procedures, errors in journal entries were noted, which affected account balances at year end. We believe that the Village would benefit from a review of its journal entries prior to posting. The Village should consider expanding its internal policy to incorporate journal entry review process.

#### Recommendation

Although procedures have been improved for the review of journal entries, we still noted multiple instances of journal entries without descriptions or supporting documentation during the current year.

#### Status

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

#### Management Response

During the development of the FY 2020 audit, occurrences of errors in some journal entries were noted and recommendations were made by Lauterbach and Amen to implement additional policies related to the journal entry process. The FY 2020 audit was delayed due to the COVID-19 pandemic, therefore the matter was not noted until well into FY 2021, thereby impacting the FY 2021 too. Management implemented the recommendations made by Lauterbach and Amen and adopted additional policies related to its journal entry review process on June 1, 2021 in accordance with the recommendations made in the FY 2020 Management Letter dated May 25, 2021. Management has been working with staff to insure that journal entries are reviewed prior to posting and will continue to do so.

### 2. **ACCOUNT RECONCILIATIONS**

#### Comment

Previously and during our current year-end audit procedures, we noted occurrences during the year in which account reconciliations for certain significant accounts were not being performed. The reconciliations not completed were for certain bank accounts, as well as other general ledger accounts such as accounts receivable, accounts payable, and miscellaneous receivables.

#### Recommendation

We recommended that the bank accounts be reconciled shortly after the end of each month and that any discrepancies be investigated. We also recommend that the accounts receivable, accounts payable and miscellaneous receivables general ledger accounts be reconciled with the detail listings.

## **PRIOR RECOMMENDATIONS – Continued**

### 2. **ACCOUNT RECONCILIATIONS – Continued**

#### Status

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

#### Management Response

During the development of the FY 2020 audit, recommendations were made regarding the frequency of account reconciliations. The FY 2020 audit was delayed due to the COVID-19 pandemic therefore the matter was not noted until well into FY 2021. Management implemented the recommendations made in the FY 2020 Management Letter dated May 25, 2021 and more frequent reconciliations have been conducted since that time.

### 3. **BANK RECONCILIATIONS – RECONCILIATIONS NOT TYING**

#### Comment

Previously and during our current year-end audit procedures, we noted that several bank accounts for the Village's trial balances did not tie to the ending reconciled balance in the bank reconciliations. Therefore, we needed to reconcile the general ledger balances in order to balance to the bank reconciliations.

#### Recommendation

Bank reconciliations should be updated subsequent to adjusting journal entries in order to ensure that bank reconciliations tie to general ledger cash balances. We recommended as a means of better control, that the Village tie bank reconciliations with the general ledger cash balances each month so that any variances can be investigated and adjusted immediately.

#### Status

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

#### Management Response

During the development of the FY 2020 audit, recommendations were made to tie bank reconciliations with general ledger cash balances monthly to insure a better means of control. The FY 2020 audit was delayed due to the COVID-19 pandemic therefore the recommendation was not made until well into FY 2021. Since that time, management implemented changes in accordance with the recommendations made in the FY 2020 Management Letter dated May 25, 2021 and staff has been reconciling bank balances and general ledger cash balances monthly so that variances can be investigated and adjusted in a timelier manner.

**PRIOR RECOMMENDATIONS – Continued**

4. **FUNDS NOT IN COMPLIANCE WITH FUND BALANCE POLICY**

Comment

Previously and during our current year-end audit procedures, we noted the following fund with fund balance that was not in compliance with the Board approved fund balance policy:

	Per 2021 Budget	Unrestricted Fund Balance per CAFR	Amount Not In Compliance
<b>General Fund</b>			
Minimum			
Operating Expenditures	\$ 5,051,711		
X 25% per policy	25% 1,262,928	1,180,973	81,955
	Per 2020 Budget	Unrestricted Fund Balance per CAFR	Amount Not In Compliance
<b>General Fund</b>			
Minimum			
Operating Expenditures	\$ 4,799,890		
X 25% per policy	25% 1,199,973	667,393	532,580

Recommendation

We recommended the Village investigate the fund balances and adopt future budgets to address these items not in compliance.

Status

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

Management Response

At such time as the Village Board adopted the Fund Balance Policy, it also approved a plan to increase the fund balance with annual contributions to be in compliance with the policy by FY 2027. The Village has been making contributions annually in compliance with that plan.

## PRIOR RECOMMENDATIONS – Continued

### 5. FUNDS WITH DEFICIT FUND BALANCE

#### Comment

Previously and during our current year-end audit procedures, we noted the following funds with a deficit fund balance:

Fund	April 30, 2021	April 30, 2020
Golf Course	\$ 57,065	58,205

#### Recommendation

We recommended the Village investigate the causes of the deficits and adopt appropriate future funding measures.

#### Status

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

#### Management Response

The deficit fund balance resulted from capital improvements pursued at the golf course and as additional revenues are generated, they will be utilized to shore up the deficit fund balance. In fiscal year 2021, the deficit in fund balance decreased by 2% compared with fiscal year 2020.

## PRIOR RECOMMENDATIONS – Continued

### 6. FUNDS OVER BUDGET

#### Comment

Previously and during our current year-end audit procedures, we noted that the following funds had an excess of actual expenditures over budget for the fiscal year:

Fund	April 30, 2021	April 30, 2020
Special Service Areas - Capital	\$ 3,044	-
Waterworks and Sewerage	170,592	-
Police Pension	11,482	-
Land and Building	-	41,898
Special Service Areas - Custodial	16,934	135,287

#### Recommendation

We recommended the Village investigate the causes of the funds over budget and adopt appropriate future funding measures.

#### Status

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

#### Management Response

The expenditures over budget were as a result of the following:

Special Service Areas – Capital - Additional maintenance was pursued in Special Service Areas 6, 11 and 13 than anticipated at the time of budgeting.

Waterworks Sewerage - The additional expenses were as a result of engineering services for a sewer extension project. Additionally, a water system repair was performed. Both of which were not anticipated at the time of budgeting.

Police Pension - The additional expenses were as a result of administration expenses related to a benefit hearing not anticipated at the time of budgeting. Additionally, Benefit and refund expenses were greater than anticipated at budgeting due to the transfer of pension funds by a former employee to their current agency.

Special Service Areas – Custodial – The additional expenses were related to contracted administration costs associated with management of the Village’s SSA’s.