

VILLAGE OF JOHNSBURG,  
ILLINOIS

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MANAGEMENT LETTER

FOR THE FISCAL YEAR ENDED  
APRIL 30, 2020



May 25, 2021

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, 2020, 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. JOURNAL ENTRY REVIEW AND APPROVAL

#### Comment

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

We recommend that the Village has the Finance Director/Village Manager review all journal entries created by the staff prior to posting in order to catch errors before they effect the general ledger. The Village should create a procedure to allow this to occur on at least a monthly basis and to comply with its internal policy.

#### Management Response

The Village has a policy by which a review is performed for all receivable and payable activities. Receivables are taken in by the Village Collector and listed in the general ledger. The Village Accountant reviews the listing to confirm accuracy prior to posting. Payables are reviewed and coded by the appropriate department head and submitted to the Village Accountant for payment. The Village accountant reviews the invoices for budgetary compliance, processes the invoices and prepares them for payment following Board approval. The Village continues to comply with these policies.

During the development of the FY 2021 budget, management noted occurrences of errors in some journal entries and provided direction to staff to aid in making corrections. Lauterbach and Amen noted the errors as well and offered to provide additional guidance and the Village has contracted with Lauterbach and Amen for those services. Management has implement the recommendations made by Lauterbach and Amen and will update its policies to reflect procedures for management to perform a review of journal entries prior to posting to insure accuracy.

## **CURRENT RECOMMENDATIONS – Continued**

### **2. ACCOUNT RECONCILIATIONS**

#### Comment

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 recommend 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.

#### Management Response

The Village performs periodic reconciliations of its accounts throughout the year, however management agrees that more frequent reconciliations will help promptly identify any discrepancies so that they may be addressed in a timely manner. The Village will implement the recommendations made by Lauterbach and Amen.

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

#### Comment

During our current year-end audit procedures, we noted that several bank account 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 recommend 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.

#### Management Response

Management concurs with the recommendations made by Lauterbach and Amen and will insure that staff performs monthly reconciliations of bank balances and general ledger cash balances so that any variances can be investigated and adjusted in a timelier manner.

## PRIOR RECOMMENDATIONS

### 1. 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 2019 Budget	Unrestricted Fund Balance per CAFR	Amount Not In Compliance
<b>General Fund</b>			
Minimum			
Operating Expenditures	\$ 5,109,110		
X 25% per policy	25%		
	1,277,278	665,709	611,569

	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	630,830	569,143

#### Recommendation

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

#### 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

### 2. 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, 2019	April 30, 2020
Golf Course	\$ 87,873	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 2020, the deficit in fund balance decreased by nearly 34% compared with fiscal year 2019.

## PRIOR RECOMMENDATIONS – Continued

### 3. 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, 2019	April 30, 2020
Motor Fuel Tax	\$ 11,154	-
Golf Course	113,793	-
Special Service Area	3,947	-
Land and Building	4	41,898
Special Service Areas - Custodial	-	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 reclassifying architectural design costs associated with the David G. Dominguez Municipal Center expansion project from the General Fund in which they were budgeted, to the Land and Building Fund. Future budgets will plan for those expenses in the Land and Building Fund.