

# VILLAGE OF JOHNSBURG, ILLINOIS

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## MANAGEMENT LETTER

FOR THE FISCAL YEAR ENDED  
APRIL 30, 2023

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April 17, 2024

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 (the Village), Illinois, for the year ended April 30, 2023, 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. 94 PRIVATE-PUBLIC AND PUBLIC-PUBLIC PARTNERSHIPS AND AVAILABILITY PAYMENT ARRANGEMENTS

#### Comment

In March 2022, the Governmental Accounting Standards Board (GASB) issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which provides guidance regarding the information needs of financial statement users by improving the comparability of financial statements among governments that enter into public-private and public-public partnerships (PPPs) and availability payment arrangements (APAs) and by enhancing the understandability, reliability, relevance, and consistency of information about PPPs and APAs. A PPP is an arrangement in which a government (the transferor) contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definitions Service Concession Arrangements (SCAs) if (a) the operator collects and is compensated by fees from third parties, (b) the transferor (government) determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services, and (c) the transferor (government) is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. An APA is an arrangement in which a government compensates an operator for activities that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* is applicable to the Village's financial statements for the year ended April 30, 2024.

#### Recommendation

Lauterbach & Amen, LLP will work directly with the Village to review the new criteria associated with PPPs and PAs to determine the appropriate financial reporting for these activities under GASB Statement No. 94.

#### Management's Response

Management acknowledges this comment and, if applicable, will work to implement it when required by GASB.

## CURRENT RECOMMENDATIONS – Continued

### 2. **GASB STATEMENT NO. 96 SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS**

#### Comment

In May 2020, the Governmental Accounting Standards Board (GASB) issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, which provides guidance regarding the information needs of financial statement users by improving accounting and financial reporting for Subscription-Based Information Technology Arrangements (SBITAs) by governments. It establishes uniform accounting and financial reporting requirements for SBITAs, improves the comparability of financial statements among governments that have entered into SBITAs, and enhances the understandability, reliability, relevance, and consistency of information about SBITAs. GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* is applicable to the Village's financial statements for the year ended April 30, 2024.

#### Recommendation

Lauterbach & Amen, LLP will work directly with the Village to review the new SBITA criteria in conjunction with the Village's current arrangements to determine the appropriate financial reporting for these activities under GASB Statement No. 96.

#### Management's Response

Management acknowledges this comment and, if applicable, will work to implement it when required by GASB.

### 3. **GASB STATEMENT NO. 100 ACCOUNTING CHANGES AND ERROR CORRECTIONS**

#### Comment

In June 2022, the Governmental Accounting Standards Board (GASB) issued Statement No. 100, *Accounting Changes and Error Corrections*, which establishes accounting and financial reporting requirements for (a) accounting changes, and (b) the correction of an error in previously issued financial statements (error correction). Accounting changes are (a) changes in accounting principle, (b) changes in accounting estimates, or (c) changes to or within the financial reporting entity. Error corrections are (a) errors from mathematical mistakes, mistakes in the application of accounting principles, or oversight or misuse of facts that existed at the time the financial statements were issued, or (b) a change from (i) applying an accounting principle that is not generally accepted to transactions or other events that previously were significant to (ii) applying a generally accepted accounting principle to those transactions or other events is an error correction. GASB Statement No. 100 requires that (a) changes in accounting principal and error corrections are reported retroactively, (b) changes in accounting estimates are reported prospectively, and (c) changes to or within the financial reporting entity should be reported by adjusting the current reporting period's beginning net position, fund balance, or fund net position, as applicable, for the effect of the change as if the change occurred as of the beginning of the reporting period. GASB Statement No. 100, *Accounting Changes and Error Corrections* is applicable to the Village's financial statements for the year ended April 30, 2025.

## CURRENT RECOMMENDATIONS – Continued

### 3. **GASB STATEMENT NO. 100 ACCOUNTING CHANGES AND ERROR CORRECTIONS** **- Continued**

#### Recommendation

Lauterbach & Amen, LLP will work directly with the Village to review any accounting changes or error corrections to determine the appropriate financial reporting for these activities under GASB Statement No. 100.

#### Management's Response

Management acknowledges this comment and, if applicable, will work to implement it when required by GASB.

### 4. **GASB STATEMENT NO. 101 COMPENSATED ABSENCES**

#### Comment

In June 2022, the Governmental Accounting Standards Board (GASB) issued Statement No. 101, *Compensated Absences*, which establishes standards of accounting and financial reporting for (a) compensated absences, and (b) associated salary-related payments, including certain defined contribution pensions and defined contribution other postemployment benefits (OPEB). The statement requires that a liability should be recognized for any type of leave that has not been used at year-end if (a) The leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Examples of leave that should be reviewed, and potentially measured under GASB Statement No. 101 are vacation leave, paid time off leave, holiday leave, and sick leave. Examples of leave that are excluded from GASB Statement No. 101 are parental leave, military leave, and jury duty leave. GASB Statement No. 101, *Compensated Absences* is applicable to the Village's financial statements for the year ended April 30, 2025.

#### Recommendation

Lauterbach & Amen, LLP will work directly with the Village to review the new compensated absences and associated salary-related payments, including certain defined contribution pensions and defined contribution other postemployment benefits criteria to determine the appropriate financial reporting for these activities under GASB Statement No. 101.

#### Management's Response

Management acknowledges this comment and, if applicable, will work to implement it when required by GASB.

## PRIOR 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.

#### Status

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

## **PRIOR RECOMMENDATIONS - Continued**

### **2. 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

Management adopted additional policies related to its journal entry review process as recommended. Management has been working with staff to conduct journal entry reviews prior to posting and will continue to do so.

### **3. 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 recommended that the accounts receivable, accounts payable and miscellaneous receivables general ledger accounts be reconciled with the detail listings.

#### Status

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

#### Management Response

Management implemented the recommendations when initially made and staff will continue to increase the frequency of reconciliations to address this comment.

**PRIOR RECOMMENDATIONS – Continued**

4. **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

Management implemented the recommendations when initially made and staff will continue to increase the frequency of reconciliations to address this comment.

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, 2023	April 30, 2022
Golf Course	\$ 48,835	53,974

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.



**PRIOR RECOMMENDATIONS – Continued**

5. **FUNDS WITH DEFICIT FUND BALANCE - Continued**

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 2022, the deficit in fund balance decreased by 5.4% compared with fiscal year 2021. In fiscal year 2023 it decreased by an additional 9.5%.

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, 2023	April 30, 2022
Motor Fuel Tax	\$ -	11,447
Special Service Areas - Custodial	95,493	89,249

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

Special Service Areas – Custodial – The additional expense was for payment on the SSA 33 bond which will be reimbursed to the Village. All future bond payments will be paid directly by the Special Service Area Trustees (Amalgamated Bank of Chicago) from real estate tax revenues collected from the property owners within the special service area.