

VILLAGE OF JOHNSBURG, ILLINOIS

MANAGEMENT LETTER

FOR THE FISCAL YEAR ENDED
APRIL 30, 2024

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April 24, 2025

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, 2024, 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 RECOMMENDATION

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

Comment

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:

	<u>Per 2024 Budget</u>	<u>Unrestricted Fund Balance per ACFR</u>	<u>Amount Not In Compliance</u>
General Fund			
Minimum			
Operating Expenditures	6,779,378		
X 25% per policy	25%		
	<u>1,694,845</u>	981,169	713,676

Recommendation

We recommend the Village investigate the fund balance 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. The Village has been making contributions annually in compliance with that plan.

PRIOR RECOMMENDATIONS

1. JOURNAL ENTRY REVIEW AND APPROVAL

Comment

Previously, 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 been implemented and will not be repeated in the future.

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 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 increased the frequency of reconciliations to address this comment, however the timing of the previous year's audit and associated year end journal adjustments creates challenges in reconciling accounts in the current fiscal year. Management will continue to work to address this comment in the coming year.

PRIOR RECOMMENDATIONS – Continued

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

Management implemented the recommendation when initially made and staff increased the frequency of reconciliations to address this comment, however the timing of the previous year's audit and associated year end journal adjustments creates challenges in reconciling accounts in the current fiscal year. Management will continue to work to address this comment in the coming year.

4. 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:

<u>Fund</u>	<u>April 30,</u> <u>2024</u>	<u>April 30,</u> <u>2023</u>
Golf Course	\$ 45,183	48,835
Land and Building	346	-

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

4. FUNDS WITH DEFICIT FUND BALANCE - Continued

Management Response

Golf Course – 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 9.5%, and in FY 2024 it decreased by an additional 7.5%.

Land and Building – The deficit fund balance resulted from the closeout of the David G. Dominguez Municipal Facility project and elimination of the Land and Building line item from the tax levy. The appropriate adjustment will be made to address this comment in FY 2025.

5. 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:

<u>Fund</u>	<u>April 30,</u> <u>2024</u>	<u>April 30,</u> <u>2023</u>
Tax Increment Financing	\$ 98,915	-
Special Service Areas - Custodial	-	95,493

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

Tax Increment Financing – The budgeted expenditure was based upon the estimated tax levy at the time the budget was prepared. The actual expenditure was consistent with the actual tax levy extension.

UPCOMING STANDARDS

1. **GASB STATEMENT NO. 100 ACCOUNTING CHANGES AND ERROR CORRECTIONS**

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.

2. **GASB STATEMENT NO. 101 COMPENSATED ABSENCES**

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.

UPCOMING STANDARDS - Continued

3. **GASB STATEMENT NO. 102 CERTAIN RISK DISCLOSURES**

In December 2023, the Governmental Accounting Standards Board (GASB) issued Statement No. 102, *Certain Risk Disclosures*, which establishes the requirements for disclosing, in the notes to the financial statements, the risks related to a government's vulnerabilities due to certain concentrations or constraints that are essential to their analyses for making decisions or assessing accountability. Governments may be vulnerable to risks from certain concentrations or constraints that limit their ability to acquire resources or control spending. Concentration risk is a lack of diversity related to an aspect of a significant inflow of resources (revenues) or outflow of resources (expenses). Constraint risk is a limitation that is imposed by an external party or by formal action of a government's highest level of decision-making authority. GASB Statement No. 102, *Certain Risk Disclosures* is applicable to the Village's financial statements for the year ended April 30, 2026.