

VILLAGE OF MONTGOMERY, ILLINOIS

MANAGEMENT LETTER

FOR THE FISCAL YEAR ENDED
APRIL 30, 2017



August 16, 2017

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

In planning and performing our audit of the financial statements of the Village of Montgomery (Village), Illinois, for the year ended April 30, 2017, 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 Board of Trustees, management, and others within the Village of Montgomery, 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. **GASB STATEMENT NO. 74 FINANCIAL REPORTING FOR POST-EMPLOYMENT BENEFIT PLANS OTHER THAN PENSION PLANS AND GASB STATEMENT NO. 75 ACCOUNTING AND FINANCIAL REPORTING FOR POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS**

Comment

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 74, *Financial Reporting for Post-Employment Benefits Plans Other Than Pension Plans*, which applies to individual postemployment benefit plans, and Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*, which applies to the state and local government employers that sponsor the plans. The Statements apply to the reporting of other post-employment benefits, including medical, dental, life, vision and other insurance coverages provided by the employer post-employment. The Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to the other post-employment benefit plans, and specifically identify the methods and assumptions that are to be used in calculating and disclosing these OPEB accounts in the financial statements. The Statements also provide for additional note disclosures and required supplementary information and are intended to improve information provided by state and local government employers regarding financial support to their OPEB plans. GASB Statement No. 75 applies to the employer's reporting of other post-employment benefit plans and is applicable to the Village's financial statements for the year ended April 30, 2019.

Recommendation

We recommend that the Village reach out to the private pension actuary engaged to provide the OPEB actuarial calculations in order to confirm the timeline for implementation and to review requested materials that will be required in order to implement the provisions and requirements of the new Statements. Lauterbach & Amen, LLP will also work directly with the Village to assist in the implementation process, including assistance in determining the implementation timeline with the Village and private actuary, providing all framework for the financial statements in order to complete the implementation, and assist in answering any questions or concerns the Village might have related to the implementation process or requirements.

PRIOR RECOMMENDATIONS

1. FUNDS WITH DEFICIT FUND BALANCE

Comment

Previously and during our current year-end audit procedures, we noted the below funds with deficit fund balance. See the following April 30, 2016 and April 30, 2017 fund balances:

<u>Fund</u>	<u>4/30/16</u>	<u>4/30/17</u>
Baltimore Special Service Area	\$ (11,854)	-
Tax Increment Financing District #2	(29,674)	-
Water Improvement Account	-	(10,617)

Recommendation

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

Management Response

The Village is aware of the deficit fund balance in each fund. These instances have resulted from spending cash prior to receipt and will be corrected over time.

PRIOR RECOMMENDATIONS - Continued

2. 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>4/30/16</u>	<u>4/30/17</u>
Infrastructure Improvement	\$ 1,006,217	-
Police Drug	18,683	-
Emergency 911	30,340	27,212
Police Gift	325	-
Baltimore Special Service Area	1,098	3,184
Fairfield Way Special Service Area	3,402	-
Foxmoor Special Service Area	16,639	-
Tax Increment Financing District #2	6,911	-
Orchard Prairie North Special Service Area	1,000	-
Police Pension	92,600	139,551
General	-	88,261
Forfeiture and Seizure	-	5,480
Blackberry Crossing Special Service Area	-	1,210
Marquis Pointe Special Service Area	-	25
Tax Increment Financing District #1	-	11,136
Saratoga Special Service Area	-	213
Blackberry Crossing West Special Service Area	-	2,467
Fieldstone Special Service Area	-	191
Vehicle Reserve	-	197,894
Lakewood Creek Project	-	6,022

Recommendation

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

Management Response

The Village is aware of the excess of actual expenditures over budget in each fund. Additional revenue or existing fund equity was utilized for the expenditures noted above.