

VILLAGE OF
MONTGOMERY, ILLINOIS

MANAGEMENT LETTER

FOR THE FISCAL YEAR ENDED
APRIL 30, 2021



October 20, 2021

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, 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 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 RECOMMENDATIONS

1. **FUNDS WITH DEFICIT FUND BALANCE**

Comment

During our current year audit procedures, we noted the below funds with deficit fund balances:

| Fund | Deficit |
|-------------------------------------|----------|
| Tax Increment Financing District #3 | \$ 1,980 |

Recommendation

We recommend the Village investigate the cause of the deficits and adopt appropriate future funding measures.

Management Response

Management acknowledges this comment and will work to correct it in the coming year.

2. **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

Management acknowledges this comment and will work to implement it by April 30, 2023, as required by GASB.

PRIOR RECOMMENDATION

1. 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/expenses over budget for the fiscal year:

| Fund | 4/30/2020 | 4/30/2021 |
|---|------------|-----------|
| General | \$ 110,873 | - |
| Debt Service | - | 42 |
| Capital Improvement | 6,953 | 333,164 |
| Montgomery Development | - | 315,613 |
| Montgomery Crossing Special Service Area | - | 371 |
| Blackberry Crossing Special Service Area | 345 | 79 |
| Ogden Hill Special Service Area | 5,670 | 852 |
| Marquis Pointe Special Service Area | 3,330 | 502 |
| Arbor Ridge Special Service Area | 2,203 | 3,706 |
| Fairfield Way Special Service Area | 7,216 | 6,780 |
| Foxmoor Special Service Area | 3,058 | 3,354 |
| Tax Increment Financing District #1 | 11,468 | - |
| Saratoga Special Service Area | 27 | 77 |
| Orchard Prairie North Special Service Area | 74 | 1,013 |
| Blackberry Crossing West Special Service Area | 54 | 721 |
| Fieldstone Special Service Area | 1,300 | - |
| Vehicle and Equipment Replacement | 36,478 | 19,027 |
| Refuse | 295 | 5,002 |
| Police Pension | 100,024 | 55,032 |

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 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.