

# VILLAGE OF MONTGOMERY, ILLINOIS

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## MANAGEMENT LETTER



FOR THE FISCAL YEAR ENDED  
APRIL 30, 2025

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October 14, 2025

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, (the Village), Illinois, for the year ended April 30, 2025, 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. IT SECURITY AWARENESS AND MONITORING OF EMERGING RISKS

#### Comment

Recently, we have noted the increasing importance of information technology (IT) security for local governments. While we did not identify a specific security breach during our auditing procedures, we have noted increased risks to local governments in the following areas of IT security:

- Ransomware and Phishing Attacks – Increasingly targeted at local governments due to limited IT staffing and valuable public data.
- Multi-Factor Authentication (MFA) – This is now considered a minimum standard of protection for access to email, financial systems and remote logins.
- Vendor and Third-Party Risk – Cloud service providers, software vendors, and contractors may present risks if not adequately monitored.
- Data Backup and Recovery – Secure, tested backups are critical to minimize downtime and financial loss in the event of an incident.
- Staff Awareness and Training – Many breaches in local government occur due to human error; regular training and simulated testing can help reduce exposure.

#### Recommendation

We recommend that the Village continue to increase awareness around IT security issues by:

- Engaging in ongoing monitoring or cyber security trends affecting local governments.
- Incorporating regular staff training on phishing and other social engineering tactics.
- Periodically reviewing policies for password strength, MFA, and incident response.
- Ensuring vendor contracts address security standards and data protection.
- Testing data backup and recover plans on at least an annual basis.

By increasing awareness and preparedness, the Village can reduce the likelihood of a security incident, protect sensitive constituent and financial data, and help to ensure continuity of operations.

## **CURRENT RECOMMENDATIONS - Continued**

### **1. IT SECURITY AWARENESS AND MONITORING OF EMERGING RISKS - Continued**

#### Management Response

The Village is acutely aware of the risks inherent in the use of technology and routinely monitors developments and the various risks associated with IT security.

The City contracts with IT consultants and these consultants work in tandem with Village staff to monitor and promote staff awareness of threats. Among the steps taken to minimize the cybersecurity risks:

- IT constantly monitors news and alerts, especially those affecting government agencies. IT Vendors engage with users when alarming tactics or sign in attempts are noted.
- Monthly training occurs for select department representatives and quarterly training occurs for all staff. Users are alerted directly and immediately if monitoring detects an urgent concern. Users are shown clear examples of phishing emails and other malicious emails that are actively circulating. This training has been ongoing at least monthly since 2008. Training materials are updated each meeting and presented by multiple trainers to provide memorable lessons.
- All users have MFA enabled for their accounts from logins to email accounts
- Password strength adheres to the CJIS standards for complexity and users must change passwords on a regular basis
- The Village and its vendors have prepared an incident response plan
- The Village routinely devotes resources to developing enhanced cybersecurity tools each year
- Multiple backup procedures are in place and these procedures are tested.

Management acknowledges that no prevention system is foolproof, but the Village, in conjunction with its IT vendors, is taking prudent and responsible steps to minimize the risks associated with cybersecurity.

## PRIOR RECOMMENDATIONS

### 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	2024	2025
General	\$ 779,612	—
Blackberry Crossing Special Service Area	805	—
Foxmoor Special Service Area	5,269	26,348
Tax Increment Financing District #1	9,703	—
Tax Increment Financing District #3	—	682
Tax Increment Financing District #4	2,274	—
Fieldstone Special Service Area	1,598	—
Refuse	—	5,278
Police Pension	496,025	—

#### 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.

Significant progress was made during fiscal year 2025 to reduce the frequency and extent of instances in which expenditures exceeded budget. Additionally, budget adjustments were made during the year to avoid these instances.

## PRIOR RECOMMENDATIONS - Continued

### 2. DEFICIT FUND BALANCE

#### Comment

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

Fund	2024	2025
Tax Increment Financing District #4	\$ 10,180	85,302
American Rescue Plan	—	649

#### Recommendation

We recommended the Village investigate the cause 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

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

## UPCOMING STANDARDS

### 1. **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.

### 2. **GASB STATEMENT NO. 103 FINANCIAL REPORTING MODEL IMPROVEMENTS**

In April 2024, the Governmental Accounting Standards Board (GASB) issued Statement No. 103, *Financial Reporting Model Improvements*, which establishes improvements to key components of the financial reporting model to enhance effectiveness in providing information that is essential for decision making and assessing a government's accountability. The Statement addresses application issues related to management's discussion and analysis, unusual or infrequent items, presentation of the proprietary fund statements of revenues, expenses, and changes in fund net position, major component unit information, and budgetary comparison information. GASB Statement No. 103, *Financial Reporting Model Improvements* is applicable to the Village's financial statements for the year ended April 30, 2027.

### 3. **GASB STATEMENT NO. 104 DISCLOSURE OF CERTAIN CAPITAL ASSETS**

In September 2024, the Governmental Accounting Standards Board (GASB) issued Statement No. 104, *Disclosure of Certain Capital Assets*, which provide users of government financial statements with essential information about certain types of capital assets. This statement establishes requirements for (1) Certain types of capital assets to be disclosed separately in the capital assets note disclosures, and (2) Capital assets held for sale, including additional disclosures for those capital assets. GASB Statement No. 104, *Disclosure of Certain Capital Assets* is applicable to the Village's financial statements for the year ended April 30, 2027.