

# VILLAGE OF WORTH, ILLINOIS

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## MANAGEMENT LETTER

FOR THE FISCAL YEAR ENDED  
APRIL 30, 2022



February 15, 2023

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

In planning and performing our audit of the financial statements of the Village of Worth (the Village), Illinois, for the year ended April 30, 2022, 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, Executive Director and senior management of the Village of Worth, 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. **INVESTMENT POLICY**

#### Comment

During our current year-end audit procedures, we noted that the Village does not have a formal written investment policy. A well-written investment policy will provide the Board with a strong internal control for cash and investment related transactions as well as a benchmark for monitoring the success of its investment program.

#### Recommendation

We recommend that the Village create and adopt a formal investment policy. The policy should outline general investment objectives, authorized investments, safekeeping and custody requirements and any other information pertinent to the investment policy.

#### Management Response

Management acknowledges this comment and will work to implement in the c year.

### 2. **OUTSTANDING CHECK WRITE-OFF POLICY**

#### Comment

During our current year-end audit procedures, we noted that the Village does not have a formal policy for following up and processing old outstanding checks, which has resulted in several old outstanding checks being included in the bank reconciliations.

#### Recommendation

We recommend the Village develop and implement an outstanding check policy that includes procedures to follow-up and subsequently how to process the outstanding checks. This policy should be in written form and should set specific instructions for these procedures including steps to be in compliance with State unclaimed property statutes. State unclaimed property statutes note that all checks that are greater than three years old are to be sent to the State of Illinois Treasurer along with the required forms.

#### Management Response

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

### 3. **FUND BALANCE POLICY**

#### Comment

During our current year-end audit procedures, we noted that the Village does not have a formal fund balance policy. A fund balance policy establishes a minimum level at which the projected end-of-year fund balance/net position should be maintained, taking into account the constraints imposed upon the resources reported by the governmental and proprietary funds. A fund balance policy assists in providing financial stability, cash flow for operations, and the assurance that the Village will be able to respond to emergencies with fiscal strength.

It is essential to maintain adequate levels of funds balance/net position to mitigate current and future risks and to ensure tax rates. Fund balance/net position levels are also crucial consideration in long-term financial planning. Credit rating agencies carefully monitor levels of fund balance/net position and unassigned fund balance in the General Fund to evaluate the Village's continued creditworthiness.

## **CURRENT RECOMMENDATIONS - Continued**

### **3. FUND BALANCE POLICY - Continued**

#### Recommendation

We recommend the Village create and adopt a fund balance policy to be in compliance with GASB Statement No. 54. The Village should address fund balance reporting categories (nonspendable, restricted, committed, assigned, and unassigned) as well as review minimum fund balance policies.

#### Management Response

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

### **4. INTERNAL CONTROLS – I.T. ENVIRONMENT**

#### Comment

During our current year-end audit procedures, we noted that the Village does not have a set of written controls surrounding IT Equipment. In addition to this, the Village does not currently have a written Disaster Recovery Plan. Maintaining written documentation relating the Village's computer equipment and IT environment is vital to maintaining the integrity of the Village's electronic information systems.

#### Recommendation

We recommend that the Village create written procedures relating to controls over their computer equipment, as well as develop a formal disaster recovery plan.

#### Management Response

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

### **5. CAPITAL ASSET POLICY**

#### Comment

During our current year-end audit procedures, we noted the Village does not have a formal capital asset policy to provide guidance on the financial aspects and stewardship of capital assets. With respect to the financial aspects, guidance should be provided on the minimum dollar amount and minimum useful life for an item to be capitalized as a capital asset. Stewardship issues include the physical custody of capital assets.

#### Recommendation

We recommend that the Village adopt a capital asset policy, which addresses both financial, and stewardship issues. As part of developing the capital asset policy, a review of the current capitalization amount and estimated useful life should be performed for both financial reporting and stewardship. The capital asset policy should also establish standard depreciation methods and useful lives to be applied to specific categories of assets. With respect to stewardship, the policy should address location of assets, tagging, physical access and security and frequency of periodic inventories. Once the policy has been established, we recommended the Village undertake a complete inventory and valuation of capital assets to create detail capital asset records that are in compliance with the new policy. Additionally, as part of this process we recommend land be inventoried and valued at its estimated fair value on the date donated.

#### Management Response

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

## **CURRENT RECOMMENDATIONS - Continued**

### **6. 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's Response

Management acknowledges the comment and will work with Lauterbach & Amen, LLP to implement when required.

### **7. FUNDS OVER BUDGET**

#### Comment

During our current year-end audit procedures, we noted that the following funds had an excess of actual expenditures/expenses, exclusive of depreciation, over budget for the fiscal year:

Fund	4/30/2022
General	\$ 1,377,055
TIF	3,731
Commuter Parking Lot	17,276
Golf Course	85,044

#### Recommendation

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

#### Management Response

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

## **CURRENT RECOMMENDATIONS - Continued**

8. **FUND WITH DEFICIT NET POSITION**

Comment

During our current year-end audit procedures, we noted the below fund with deficit net position.

Fund	4/30/2022
Golf Course	\$ 1,140,564

Recommendation

We recommend the Village investigate the causes of the deficit and adopt appropriate future funding measures.

Management Response

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

9. **POLICE PENSION FUND AND FIREFIGHTERS' PENSION FUND FUNDING**

Comment

During our current year-end audit procedures, we noted that both the Police Pension Fund and Firefighters' Pension Fund employer contributions were below the actuarially determined contributions (ADC). For April 30, 2022 the Police Pension Fund's statutory minimum is \$1,545,393 and the employer contributions were \$1,330,526, resulting in 86% funded. For April 30, 2022 the Firefighters' Pension Fund's statutory minimum is \$193,706 and the employer contributions were \$189,426, resulting in 98% funded. Neither the Village's Police Pension Fund nor the Village's Firefighters' Pension Fund is being funded per the actuary's recommendation.

Recommendation

The actuarial accrued liability for the Police and Firefighters' Pension Funds will continue to increase and the funded ratio will continue to decrease if the Village does not fund the pension funds according to the actuarially determined contribution. Continued underfunding will decrease the funded ratio each year increasing the gap between the State average and the Village. Therefore, we recommended that the Village fund the Police and Firefighters' Pension Funds according to the actuarially determined contributions for each fiscal year.

Management Response

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