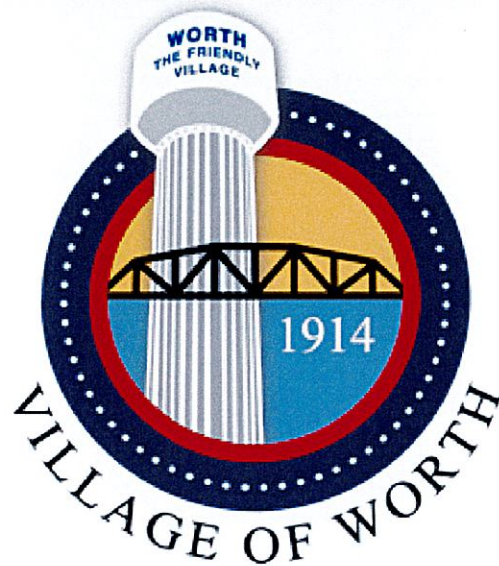


VILLAGE OF WORTH, ILLINOIS

MANAGEMENT LETTER



FOR THE FISCAL YEAR ENDED
APRIL 30, 2024

7112 West 111 Street
Worth, IL 60482
Phone: 630.939.7668
www.villageofworth.com



January 27, 2025

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, 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 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 RECOMMENDATION

1. PERSONNEL FILE ORGANIZATION

Comment

During our current year-end audit procedures, we noted that employee personnel files were not consistent and missing pertinent information which needs to be kept on file for each Village employee.

Recommendation

We recommend that the Village implement procedures to ensure that each employee's personnel file is organized and includes all necessary information. Typically personnel files would contain a signed application of employment, state and federal withholding forms, additional withholding verification forms, a completed I-9 form, if applicable, wage verification and performance reviews, and other personnel related information

Management Response

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

PRIOR RECOMMENDATIONS

1. NUMBER OF CASH ACCOUNTS

Comment

Previously and during our current year-end audit procedures, we noted that the Village maintains a significant number of bank accounts. These accounts are held at a variety of banking institutions. This volume of bank accounts requires a large commitment of staff time to process daily deposits, to make transfers between various cash accounts and to reconcile each account at the end of each month. In addition, the cash balances maintained in this volume of bank accounts does not allow the Village to take full advantage of cash commingling which increases the funds available for investment opportunities.

Recommendation

We recommended the Village review the cash and investment structure to maintain the minimum number of accounts necessary to meet the Village's operational needs.

Status

This comment has not been implemented and will be repeated in the future.

Management Response

Due to the nature of the operations of the Village, there are requirements structured for us to maintain certain bank accounts due to the legal restrictions of the moneys. The Village has worked to eliminate what they consider to be superfluous and feel comfortable with the number of bank accounts maintained.

2. INVESTMENT POLICY

Comment

Previously and 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 recommended 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.

Status

This comment has not been implemented and will be repeated in the future.

Management Response

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

PRIOR RECOMMENDATIONS - Continued

3. OUTSTANDING CHECK WRITE-OFF POLICY

Comment

Previously and 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 recommended 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.

Status

This comment has not been implemented and will be repeated in the future.

Management Response

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

4. INTERNAL CONTROLS – I.T. ENVIRONMENT

Comment

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

Status

This comment has not been implemented and will be repeated in the future.

Management Response

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

PRIOR RECOMMENDATIONS - Continued

5. **FUND OVER BUDGET**

Comment

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

Fund	4/30/23	4/30/24
Golf Course	\$ —	185,528
Commuter Parking Lot	747	—

Recommendation

We recommended the Village investigate the causes of the fund 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 works to make sure budgets are sufficient to cover all costs. Occasionally, increases in revenues creates an increase in expenses that will exceed budget. Therefore, we acknowledge this comment and evaluate our processes going forward.

6. **FUND WITH DEFICIT NET POSITION**

Comment

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

Fund	4/30/2023	4/30/2024
Golf Course	\$ 1,061,147	886,609

Recommendation

We recommended the Village investigate the causes of the deficit 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 implement in the coming year.

PRIOR RECOMMENDATIONS - Continued

7. POLICE PENSION FUND AND FIREFIGHTERS' PENSION FUND FUNDING

Comment

Previously and 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, 2023 the Police Pension Fund's employer contributions were \$1,631,190, resulting in 98% funded. For April 30, 2023 the Firefighters' Pension Fund's the employer contributions were \$183,328, resulting in 87% funded. For April 30, 2024 the Police Pension Fund's the employer contributions were \$1,495,624, resulting in 91% funded. For April 30, 2024 the Firefighters' Pension Fund's the employer contributions were \$217,021, resulting in 102% 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.

Status

This comment has not been implemented and will be repeated in the future.

Management Response

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

8. FUND NOT IN COMPLIANCE WITH FUND BALANCE POLICY

Comment

Previously and during our current year-end audit procedures, we noted the following fund with balances that were not in compliance with the Board approved fund balance policy:

	Per 2023 Budget	Fund Balance per AFR	Amount not In Compliance
Golf Course Fund			
Minimum			
Operating Expenses	\$ 1,644,495		
X's 25% per Policy	25%		
	411,124	(1,061,147)	1,472,271

PRIOR RECOMMENDATIONS - Continued

8. FUND NOT IN COMPLIANCE WITH FUND BALANCE POLICY - Continued

Comment - Continued

	Per 2024 Budget	Fund Balance per AFR	Amount not In Compliance
Golf Course Fund			
Minimum			
Operating Expenses	\$ 1,859,031		
X's 25% per Policy	25%		
	<u>464,758</u>	(886,609)	1,351,367

Recommendation

We recommend the Village investigate the fund balance and adopt a future budget to address this item not in compliance.

Status

This comment has not been implemented and will be repeated in the future.

Management Response

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

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 post-employment 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.