

VILLAGE OF NORTH RIVERSIDE,  
ILLINOIS

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MANAGEMENT LETTER

FOR THE FISCAL YEAR ENDED  
APRIL 30, 2019



October 28, 2019

The Honorable Village Mayor  
Members of the Board of Trustees  
Village of North Riverside, Illinois

In planning and performing our audit of the financial statements of the Village of North Riverside (Village), Illinois, for the year ended April 30, 2019, 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 North Riverside, 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. COLLATERALIZATION OF DEPOSITS

Comment

During our current year-end audit procedures, at April 30, 2019 the bank balances were \$2,304,290, of which only \$2,108,776 were insured or collateralized. There was a balance of \$195,514 which was not insured or collateralized.

Recommendation

Consideration should be given to having all bank deposits insured or collateralized.

Management Response

Management conducts a monthly review of all bank balances and collateral held in the Village's name to ensure deposits are insured and collateralized in accordance with the Village's written investment policy. On April 30, 2019, the Village received an unexpected deposit of \$300,000 in local debt collections from the State that caused the bank balance of the main operating account to be unusually high. Although the financial institution was contacted immediately to increase the amount of collateral pledged, it took several days for the additional collateral to be secured. This situation was the result of a timing error only since the funds were received on the last day of the fiscal year and was temporary in nature. The Village's actual risk exposure was minimal as the additional collateral was pledged and all deposits were fully collateralized by May 3, 2019.

### 2. FUND NOT IN COMPLIANCE WITH FUND BALANCE POLICY

Comment

During our current year-end audit procedures, we noted the following fund with net position that was not in compliance with the Board approved fund balance/net position policy:

|                                 | Per 2019<br>Budget | Unrestricted<br>Net Position<br>per CAFR | Amount Not In<br>Compliance |
|---------------------------------|--------------------|--|-----------------------------|
| <b>Health Insurance Fund</b>    |                    |  |                             |
| Minimum                         |                    |  |                             |
| Budgeted Operating Expenditures |                    |  |                             |
| X's 3/12 per Policy             | \$ 725,750         | 180,992                                  | 544,758                     |

Recommendation

We recommend the Village investigate the net position and adopt future budgets to address these items not in compliance.

## **CURRENT RECOMMENDATIONS – Continued**

### 2. **FUND NOT IN COMPLIANCE WITH FUND BALANCE POLICY – Continued**

#### Management Response

The Village’s adopted fund balance policy does recommend a minimum target for unrestricted net position of the Health Insurance Fund to equal 3 months of operating expenses. Provided below is a chart that summarizes the fund’s net position over the past six years and clearly demonstrates how this net position has been steadily increasing each year as the Village works toward achieving this targeted goal.

| <b>Fiscal Year Ended</b> | <b>Unrestricted Net Position</b> |
|--------------------------|----------------------------------|
| 4/30/14                  | 54,105                           |
| 4/30/15                  | 64,626                           |
| 4/30/16                  | 69,350                           |
| 4/30/17                  | 105,152                          |
| 4/30/18                  | 129,090                          |
| 4/30/19                  | 180,992                          |

## PRIOR 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 recommended 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.

### Status

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