

VILLAGE OF BEACH PARK, ILLINOIS

MANAGEMENT LETTER

FOR THE FISCAL YEAR ENDED
APRIL 30, 2019



August 27, 2019

The Honorable Village Mayor
Members of the Board of Trustees
Village of Beach Park, Illinois

In planning and performing our audit of the financial statements of the Village of Beach Park (the 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 Beach Park, 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, including the new Budget Officer. 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. **FUND NOT IN COMPLIANCE WITH FUND BALANCE POLICY**

Comment

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

	Per 2019 Actual Expenses	Unrestricted Net Position per CAFR	Amount not in Compliance
Water and Sewer Fund			
Operating Expenditures	\$ 1,436,834		
X's 3 months Per Policy	25%		
	359,209	138,597	220,612

Recommendation

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

Management Response

The mayor and board made the decision to pay off the outstanding GO bonds in full at their callable date of December 1, 2018, knowing the payoff would reduce the available cash and investments in the fund. The mayor and board looked long term to the interest savings that would result from the payoff of the debt and ultimately decided that eliminating the debt was in the best interest of the village. Paying off the bonds increased the "Net Investment In Capital Assets" total in the Net Position section of the Balance Sheet, which then reduced the Unrestricted. In addition, the net loss this year was (\$41,150) higher than last year. Both of these factors led to a smaller unrestricted. We will closely monitor the unrestricted fund balance going forward to ensure the village returns to compliant status with its fund balance policy. Also, as the debt service will not be an expense in future years, that interest savings will increase the net income (or reduce the net loss) and this will help increase the unrestricted amount. The net position of the Water and Sewer fund has been decreasing every year since 2012 so the village may need to increase rates or look at other ways to improve the net position of the fund.

PRIOR RECOMMENDATIONS

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.

PRIOR RECOMMENDATIONS – Continued

2. FUNDS WITH DEFICIT FUND BALANCE

Comment

Previously and during our current year-end audit procedures, we noted funds with deficit fund balance. See the following funds and the April 30, 2019 fund balance compared to the April 30, 2018 fund balance:

Fund	April 30, 2019	April 30, 2018
Tax Increment Financing - Green Bay	\$ (177,611)	(228,957)
Tax Increment Financing - Sheridan Extension	(73,408)	(73,005)
Tax Increment Financing - Lewis	(72,236)	(77,868)

Recommendation

We recommended the Village investigate the causes of the various deficits and adopt appropriate future funding measures.

Status

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

Management Response

The negative fund balances are mainly due to set up costs from when the TIF districts were established. In addition, the county was calculating the increment incorrectly until 2015. All the TIF funds are receiving increment now, but it will take some time to eliminate the deficit fund balances. As you can see from the chart, the negative fund balances are improving year over year as increment is received. A Dollar General opened in the Green Bay TIF area and a Casey's General Store is slated to break ground soon in the Sheridan Road Original TIF. There is also an expansion of a Self Storage business that is scheduled to occur in 2019/2020. The village and the TIF Committee continue to work to minimize expenditures and attract development within the TIF districts.