

VILLAGE OF MORTON GROVE,
ILLINOIS

MANAGEMENT LETTER

FOR THE FISCAL YEAR ENDED
December 31, 2019



October 19, 2020

The Honorable Village President
Members of the Board of Trustees
Village of Morton Grove, Illinois

In planning and performing our audit of the financial statements of the Village of Morton Grove (the Village), Illinois, for the year ended December 31, 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 Finance Committee, Board of Trustees, management, and others within the Village of Morton Grove, 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

PRIOR RECOMMENDATIONS

1. **FUND BALANCE POLICY**

Comment

Previously and 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.

Recommendation

We recommended 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.

Status

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

Management Response

While the Village does not have a formal fund balance policy, the Village has worked to ensure an appropriate fund balance is maintained, particularly in the General and Water funds. The Village will consider formalizing these policies.

PRIOR RECOMMENDATIONS – Continued

2. FUNDS WITH DEFICIT FUND BALANCE

Comment

Previously and during our current year-end audit procedures, we noted the following funds had a deficit fund balance. See below for the deficit fund balances at December 31, 2019 and December 31, 2018:

<u>Fund</u>	<u>12/31/19</u>	<u>12/31/18</u>
Waukegan Road Tax Increment Financing	\$ 1,566,948	2,191,516
Economic Development	1,090,925	844,362
Dempster/Waukegan TIF	248,102	366,620
Commuter Parking Facility	23,245	-

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

Waukegan Road TIF – this is an older TIF fund that expired in 2019. The Village transferred money from the Lehigh Ferris TIF in 2017 to retire the remaining debt which improved the fund balance prior to closing.

Economic Development – the Village continued payments for revenue sharing to the school district although the original agreement ended so that the school would not face a hardship. The Village will rebuild the fund through larger Home Rule Sales tax allocation.

Dempster/Waukegan TIF – this TIF was closed in 2019 and replaced with the Sawmill Station TIF. Major redevelopment has started and should be completed by 2021.

Commuter Parking Facility – There was significant increase in use of a parking payment app which resulted in increased expense for processing payments. The Village has reviewed the agreement with the service and will receive revenue in 2020 to offset this.

PRIOR RECOMMENDATIONS – Continued

3. FUNDS OVER BUDGET

Comment

Previously and during our current year-end audit procedures, we noted funds with an excess of actual expenditures over budget. See below for the excess of actual expenditures over budget at December 31, 2019 and at December 31, 2018:

<u>Fund</u>	<u>12/31/19</u>	<u>12/31/18</u>
Debt Service	\$ 53,179	-
Motor Fuel Tax	-	12,664
Commuter Parking Facility	5,451	-
911 Emergency Telephone System	-	714
Economic Development	22,757	124,792
Morton Grove Days	-	3,263
Municipal Employees' Retirement	-	182,949
Police Pension	182,575	11,298
Firefighters' Pension	-	225,259

Recommendation

We recommended the Village review the over budget funds to determine appropriate future budgeting and the potential need to make supplemental budget amendments for unforeseen transactions.

Status

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

Management Response

Debt Service – The Village incurred additional expenses that were not budgeted due to an opportunity to refund the 2010 bonds for a lower interest rate. This will save the Village interest expense for the next ten years.

Commuter Parking – There was a significant increase the use of a payment app that has associated fees. The Village has reviewed this and will see additional revenue in 2020 to offset this. Appropriate amounts will also be budgeted going forward.

Economic Development - Payments due to businesses for tax sharing agreements continue to increase due to an improvement in sales. The budget was based on prior year sales tax numbers. The Village will review the amount during the budget process.

Police Pension – retirement funds are difficult to budget for because the number of new retirements is not always known. The police pension had an unexpected retirement and a disability pension.