

VILLAGE OF MORTON GROVE,  
ILLINOIS

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MANAGEMENT LETTER

FOR THE FISCAL YEAR ENDED  
December 31, 2017



June 27, 2018

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, Illinois, for the year ended December 31, 2017, 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. **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 December 31, 2018.

### 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 not been implemented and will be implemented for the fiscal year ended December 31, 2018, as required.

### Management Response

The Village will be requesting proposals for actuarial services for its OPEB calculations to ensure compliance with the new standard.

## PRIOR RECOMMENDATIONS – Continued

### 2. 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

### 3. 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, 2017 and December 31, 2016:

<u>Fund</u>	<u>12/31/17</u>	<u>12/31/16</u>
Waukegan Road Tax Increment Financing	\$ 2,602,577	2,973,196
Economic Development	354,259	51,328
Dempster/Waukegan TIF	357,801	346,377

#### 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 will be expiring in 2018. The Village transferred money from the Lehigh Ferris TIF in 2017 to retire the remaining debt of the fund to avoid any further deficit.

Economic Development – this fund is used to promote development in the Village. It is funded by an allocation of home rule sales taxes. During the budget process, the Village will allocate more home rule sales tax to cover the planned expenditures.

Dempster/Waukegan TIF – this is a newer TIF that is just starting to generate TIF revenue. The Village will continue to monitor this fund.

## PRIOR RECOMMENDATIONS – Continued

### 4. 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, 2017 and at December 31, 2016:

<u>Fund</u>	<u>12/31/17</u>	<u>12/31/16</u>
Debt Service	\$ -	106,188
911 Emergency Telephone System	3,656	-
Commuter Parking Facility	-	9,523
Morton Grove Days	14,483	-
Municipal Employees' Retirement	-	867,028
Firefighters' Pension	166,481	11,664

#### 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

911 Emergency Telephone System – This is the first full year the State has changed the way E911 is processed. The Village had some unexpected costs in the transition.

Morton Grove Days – 2018 was the first year of operation for this fund so budgets were prepared using the Village's best estimates. Revenues in this fund also exceeded budget and were greater than expenses.

Firefighters' Pension – retirement funds are difficult to budget for because the number of new retirements is not always known. The Village will review during the budget process.