

VILLAGE OF HOMEWOOD, ILLINOIS

MANAGEMENT LETTER



FOR THE FISCAL YEAR ENDED
APRIL 30, 2024

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August 20, 2024

The Honorable Village President
Members of the Board of Trustees
Village of Homewood, Illinois

In planning and performing our audit of the financial statements of the Village of Homewood (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 Finance Committee, Board of Trustees, management, and others within the Village of Homewood, 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. **GASB STATEMENT NO. 102 CERTAIN RISK DISCLOSURES**

Comment

In December 2023, the Governmental Accounting Standards Board (GASB) issued Statement No. 102, *Certain Risk Disclosures*, which establishes the requirements for disclosing, in the notes to the financial statements, the risks related to a government's vulnerabilities due to certain concentrations or constraints that is essential to their analyses for making decisions or assessing accountability. Governments may be vulnerable to risks from certain concentrations or constraints that limit its ability to acquire resources or control spending. Concentration risk is a lack of diversity related to an aspect of a significant inflow of resources (revenues) or outflow of resources (expenses). Constraint risk is a limitation that is imposed by an external party or by formal action of a government's highest level of decision-making authority. GASB Statement No. 102, *Certain Risk Disclosures* is applicable to the Village's financial statements for the year ended April 30, 2026.

Recommendation

Lauterbach & Amen, LLP will work directly with the District to review the new risk related criteria to determine the appropriate financial reporting disclosures for these activities under GASB Statement No. 102.

Management's Response

Management acknowledges this comment and, if applicable, will work to implement it when required by GASB.

PRIOR RECOMMENDATIONS

1. GASB STATEMENT NO. 94 PRIVATE-PUBLIC AND PUBLIC-PUBLIC PARTNERSHIPS AND AVAILABILITY PAYMENT ARRANGEMENTS

Comment

In March 2022, the Governmental Accounting Standards Board (GASB) issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which provides guidance regarding the information needs of financial statement users by improving the comparability of financial statements among governments that enter into public-private and public-public partnerships (PPPs) and availability payment arrangements (APAs) and by enhancing the understandability, reliability, relevance, and consistency of information about PPPs and APAs. A PPP is an arrangement in which a government (the transferor) contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definitions Service Concession Arrangements (SCAs) if (a) the operator collects and is compensated by fees from third parties, (b) the transferor (government) determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services, and (c) the transferor (government) is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. An APA is an arrangement in which a government compensates an operator for activities that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. GASB Statement No. 94, *Public-Private and Public-Public Partnerships and A* April 30, 2024.

Recommendation

Lauterbach & Amen, LLP will work directly with the Village to review the new criteria associated with PPPs and PPAAs to determine the appropriate financial reporting for these activities under GASB Statement No. 94.

Status

As the Village has no PPPs or APAs, this comment is considered implemented. The Village and Lauterbach & Amen will continue to monitor PPPs and APAs in the future to determine if additional reporting is required. This comment has been implemented and will not be repeated in the future.

2. GASB STATEMENT NO. 96 SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

Comment

In May 2020, the Governmental Accounting Standards Board (GASB) issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, which provides guidance regarding the information needs of financial statement users by improving accounting and financial reporting for Subscription-Based Information Technology Arrangements (SBITAs) by governments. It establishes uniform accounting and financial reporting requirements for SBITAs, improves the comparability of financial statements among governments that have entered into SBITAs, and enhances the understandability, reliability, relevance, and consistency of information about SBITAs. GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* is applicable to the Village's financial statements for the year ended April 30, 2024.

PRIOR RECOMMENDATIONS - Continued

2. GASB STATEMENT NO. 96 SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS - Continued

Recommendation

Lauterbach & Amen, LLP will work directly with the Village to review the new SBITA criteria in conjunction with the Village's current arrangements to determine the appropriate financial reporting for these activities under GASB Statement No. 96.

Status

As the Village has no material SBITAs, there was no impact on the financial statements in the current year, therefore this comment is considered implemented. The Village and Lauterbach & Amen will continue to monitor SBITAs in the future to determine if additional reporting is required. This comment has been implemented and will not be repeated.

3. GASB STATEMENT NO. 100 ACCOUNTING CHANGES AND ERROR CORRECTIONS

Comment

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.

Recommendation

Lauterbach & Amen, LLP will work directly with the Village to review any accounting changes or error corrections to determine the appropriate financial reporting for these activities under GASB Statement No. 100.

Management Response

Management acknowledges this comment and, if applicable, will work to implement it when required by GASB.

Status

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

PRIOR RECOMMENDATIONS - Continued

4. GASB STATEMENT NO. 101 COMPENSATED ABSENCES

Comment

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.

Recommendation

Lauterbach & Amen, LLP will work directly with the Village to review the new compensated absences and associated salary-related payments, including certain defined contribution pensions and defined contribution other post-employment benefits criteria to determine the appropriate financial reporting for these activities under GASB Statement No. 101.

Management Response

Management acknowledges this comment and, if applicable, will work to implement it when required by GASB.

Status

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

5. FUNDS OVER BUDGET

Comment

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

Fund	2023	2024
Police Seized	\$ 56,434	177,902
Foreign Fire Insurance	58,637	22,151
Network #3 Cook County	65,922	6,947
Kedzie Gateway TIF	—	74,213
Bond Debt Service	3,285	—
CIP General	23,321	—

PRIOR RECOMMENDATIONS – Continued

5. **FUNDS OVER BUDGET - Continued**

Recommendation

We recommended the Village investigate the causes of the funds over budget and adopt appropriate future funding measures.

Management Response

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

Status

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

6. **FUNDS WITH DEFICIT FUND BALANCE**

Comment

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

Fund	2023	2024
East CBD TIF	\$ 70,197	70,197
Kedzie Gateway TIF	79,168	79,213

Recommendation

We recommended the Village investigate the cause of the deficit and adopt appropriate future funding measures.

Management Response

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

Status

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

7. **CAPITAL ASSET POLICY**

Comment

Previously and during our current year-end audit procedures, we noted the Village does not have a formal capital asset policy to provide guidance on the financial aspects and stewardship of capital assets. With respect to the financial aspects, guidance should be provided on the minimum dollar amount and minimum useful life for an item to be capitalized as a capital asset. Stewardship issues include the physical custody of capital assets.

PRIOR RECOMMENDATIONS - Continued

7. CAPITAL ASSET POLICY - Continued

Recommendation

We recommended that the Village adopt a capital asset policy, which addresses both financial, and stewardship issues. As part of developing the capital asset policy, a review of the current capitalization amount and estimated useful life should be performed for both financial reporting and stewardship. The capital asset policy should also establish standard depreciation methods and useful lives to be applied to specific categories of assets. With respect to stewardship, the policy should address location of assets, tagging, physical access and security and frequency of periodic inventories. Once the policy has been established, we recommended the Village undertake a complete inventory and valuation of capital assets to create detail capital asset records that are in compliance with the new policy. Additionally, as part of this process we recommended land be inventoried and valued at its estimated fair value on the date donated.

Management Response

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

Status

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

8. CAPITAL ASSET APPRAISAL

Comment

Previously and during our current year-end audit procedures, we noted the Village has not had an appraisal of capital assets performed by an outside appraisal firm. Which results in multiple assets being included that are no longer in use. This appraisal will be used to track capital assets. The benefits of an appraisal by an outside appraisal firm include but are not limited to 1) records for insurance purposes and 2) provide records of capital assets, including real property that the Village owns for financial reporting purposes.

Recommendation

We recommended that the Village have an outside appraisal firm perform a physical inventory and valuation of all the Village's capital assets. A periodic inspection of the assets should also be compared to this detail listing to ensure that all assets are accounted for on a regular basis. We further recommended that all capitalizable items be budgeted and charged to capital outlay accounts and that these accounts are reconciled each year to the total additions to capital assets.

Management Response

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

Status

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

PRIOR RECOMMENDATIONS - Continued

9. POLICE PENSION FUND AND FIREFIGHTERS' PENSION FUND FUNDING

Comment

Previously, we noted that both the Police Pension Fund and Firefighters' Pension Fund employer contributions were below the actuary's annual required contributions (ARC). For April 30, 2023, the Police Pension Fund's ARC is \$2,237,677 and the employer contributions were \$1,973,058. The accumulated shortfall has resulted in the Fund being 44.5% funded as of April 30, 2023. For April 30, 2023, the Firefighters' Pension Fund's ARC is \$762,102 and the employer contributions were \$657,234. While the Village under contributed by \$104,868 for the fiscal year, the accumulated shortfall has resulted in the Fund being 57.2% funded as of April 30, 2023.

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 annual required 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 required contributions for each fiscal year.

Status

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