

WAUKEGAN PARK DISTRICT,
ILLINOIS

MANAGEMENT LETTER

FOR THE FISCAL YEAR ENDED
APRIL 30, 2019



August 15, 2019

Members of the Board of Commissioners
Waukegan Park District
Waukegan, Illinois

In planning and performing our audit of the financial statements of the Waukegan Park District (District), 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, Executive Director and senior management of the Waukegan Park District, 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 District 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 District staff.

Lauterbach & Amen, LLP

LAUTERBACH & AMEN, LLP

CURRENT RECOMMENDATION

1. FUNDS NOT IN COMPLIANCE WITH FUND BALANCE POLICY

Comment

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

	Base Amount	April 30, 2019 Unrestricted Fund Balance	Amount not in Compliance
Debt Service Fund			
FYE 4/30/2020 Bond Principal & Interest Payments Due	3,492,801	2,071,762	(1,421,039)
Police System Fund			
Budgeted Operating Expenditures	140,102		
x 25% per policy	25%		
Minimum Fund Balance Requirement	35,026	24,480	(10,546)
Audit Fund			
Budgeted Operating Expenditures	42,325		
x 25% per policy	25%		
Minimum Fund Balance Requirement	10,581	8,671	(1,910)

Recommendation

We recommend the District investigate the fund balances and adopt future budgets to address these items not in compliance.

Management Response

Beginning fund balance was restated to correct past practice per the property tax code of recognition of receivables and payables in the prior year as a revenue source, while cash stayed in the current year. Management staff expected a comment in the management letter this year as some funds may not meet the target fund balance per policy with the restatement. By the end of next fiscal year management staff will make sure the Police System Fund (\$10,546) and Audit Fund (\$1,910) meet target goals. The Debt Service Fund without an update in policy will always receive a comment because of the collection timing of property tax receipts and annual rollover bond proceeds to meet principal and interest obligations. Management staff has communicated this to the Board as they previously agreed to the restatement and new practice to have fund balance similar to cash position at year-end as seen on the balance sheet.

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 District's financial statements for the year ended April 30, 2019.

Recommendation

We recommended that the District 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 District to assist in the implementation process, including assistance in determining the implementation timeline with the District 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 District 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. CAPITAL ASSET THRESHOLD AND ASSET APPRAISAL

Comment

Previously, we noted that the District has a capital asset threshold of \$1,000, which is low for a District the size of Waukegan.

Recommendation

We recommended the District review and update the capital asset policy with a more appropriate minimum threshold established by category, ranging from \$2,500 to \$50,000, as the Board and Finance Director deem appropriate. 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. We recommend the District undertake a complete inventory and valuation of capital assets to create detail capital asset records that are in compliance with the new policy.

Status

This comment has been implemented and will not be repeated.