WAUKEGAN PARK DISTRICT, ILLINOIS

MANAGEMENT LETTER

FOR THE FISCAL YEAR ENDED
APRIL 30, 2025

1324 Golf Road
Waukegan, Illinois 60087
Phone: 847.360.4756
www.waukeganparks.org

Lauterbach & Amen
668 N. River Road
Naperville, IL 60563
630.393.1483
lauterbachamen.com

October 2, 2025

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 (the District), Illinois, for the year ended April 30, 2025, 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 RECOMMENDATIONS

1. IT SECURITY AWARENESS AND MONITORING OF EMERGING RISKS

Comment

Recently, we have noted the increasing importance of information technology (IT) security for local governments. While we did not identify a specific security breach during our auditing procedures, we have noted increased risks to local governments in the following areas of IT security:

- Ransomware and Phishing Attacks - Increasingly targeted at local governments due to limited IT staffing and valuable public data.
- Multi-Factor Authentication (MFA) - This is now considered a minimum standard of protection for access to email, financial systems and remote logins.
- Vendor and Third-Party Risk - Cloud service providers, software vendors, and contractors may present risks if not adequately monitored.
- Data Backup and Recovery - Secure, tested backups are critical to minimize downtime and financial loss in the event of an incident.
- Staff Awareness and Training - Many breaches in local government occur due to human error; regular training and simulated testing can help reduce exposure.

Recommendation

We recommend that the District continue to increase awareness around IT security issues by:

- Engaging in ongoing monitoring or cyber security trends affecting local governments.
- Incorporating regular staff training on phishing and other social engineering tactics.
- Periodically reviewing policies for password strength, MFA, and incident response.
- Ensuring vendor contracts address security standards and data protection.
- Testing data backup and recover plans on at least an annual basis.

By increasing awareness and preparedness, the District can reduce the likelihood of a security incident, protect sensitive constituent and financial data, and help to ensure continuity of operations.

Management Response

Management acknowledges this and this is what we are doing:

- Monitor cybersecurity trends.
- Train staff regularly on phishing and social engineering.
- Review password, MFA, and incident response policies.
- Ensure vendor contracts address security.
- Test backup and recovery plans annually.

CURRENT RECOMMENDATIONS - Continued

2. **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:

	Per 2025 Budget	Unrestricted Fund Balance	Amount Not in Compliance
General			
Minimum			
Operating Expenditures	$ 2,876,381		
X's 30% per policy	30%		
	862,914	785,866	77,048
Museum			
Minimum			
Operating Expenditures	600,547		
X's 25% per policy	25%		
	150,137	146,017	4,120

Recommendation

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

Management Response

Management acknowledges this comment and is committed to addressing it in the upcoming year and subsequent budget cycles. To meet the fund balance target of 30% for the General Fund and 25% for the Museum Fund, as outlined in Fund Balance Policy 2.09, this process may involve multiple tax levy cycle increases or budget adjustments. Additionally, we will focus on controlling new operating expenditures and enhancing non-tax revenue streams to ensure fiscal sustainability with target-based budgeting supported research by the Government Finance Officers Association (GFOA). Maintaining these fund balance targets is essential for preserving our credit ratings and ensuring long-term financial health. Staff and the board must carefully monitor new requests to uphold these financial goals for the benefit of our community and the services we provide.

PRIOR RECOMMENDATION

1. **FUNDS OVER BUDGET**

Comment

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

Fund	2024	2025
Recreation	$ —	157,542
Capital Projects	23,879	—
Police System	—	12,440
Paving and Lighting	5,113	—
Audit	883	39
Liability Insurance	14,793	—
FICA	87,343	23,037

Recommendation

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

Status

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

Management Response

Management acknowledges this comment, and we didn't go over our legal spending authority (Budget and Appropriation Ordinance). The budgets are tighter these days due to inflation and minimum wage compliance to name a few. The tax levy was adjusted in budget year FY25-26 to assist with this revenue need to cover expenditures.

While the Recreation Fund was over its expenditure budget by $157,542, it also had a positive revenue surplus over budget of $139,005.

While the Police System Fund was over its expenditure budget by $12,440, it also had a positive revenue surplus over budget of $4,282.

While the Audit Fund was over its expenditure budget by $39, it also had a positive revenue surplus over budget of $288.

While the FICA Fund was over its expenditure budget by $23,037, it also had a positive revenue surplus over budget of $4,648.

Total expenditure overage of $193,058 with positive revenue surplus of $148,233, reducing the overall expenditure overage of $44,835 in a budget of approximately $37,193,339 or 0.10%. Positive operating results over budgeted surplus is seen in the Debt, Endowment Memorial, Paving and Lightning, IMRF, and Working Cash Funds of $378,546. We budgeted to lose $7,363,005 but only decreased fund balance by $2,863,463 as seen in changes in fund balances.

UPCOMING STANDARDS

1. GASB STATEMENT NO. 102 CERTAIN RISK DISCLOSURES

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 are essential to their analyses for making decisions or assessing accountability. Governments may be vulnerable to risks from certain concentrations or constraints that limit their 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 District's financial statements for the year ended April 30, 2026.

2. GASB STATEMENT NO. 103 FINANCIAL REPORTING MODEL IMPROVEMENTS

In April 2024, the Governmental Accounting Standards Board (GASB) issued Statement No. 103, *Financial Reporting Model Improvements*, which establishes improvements to key components of the financial reporting model to enhance effectiveness in providing information that is essential for decision making and assessing a government's accountability. The Statement addresses application issues related to management's discussion and analysis, unusual or infrequent items, presentation of the proprietary fund statements of revenues, expenses, and changes in fund net position, major component unit information, and budgetary comparison information. GASB Statement No. 103, *Financial Reporting Model Improvements* is applicable to the District's financial statements for the year ended April 30, 2027.