

CITY OF WASHINGTON, ILLINOIS

MANAGEMENT LETTER



FOR THE FISCAL YEAR ENDED
APRIL 30, 2023

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October 2, 2023

The Honorable City Mayor
Members of the City Council
City of Washington, Illinois

In planning and performing our audit of the financial statements of the City of Washington (the City), Illinois, for the year ended April 30, 2023, 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, City Administrator and senior management of the City of Washington, 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 City 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 City staff.

Lauterbach & Amen, LLP

LAUTERBACH & AMEN, LLP

CURRENT 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 Availability Payment Arrangements* is applicable to the City's financial statements for the year ended April 30, 2024.

Recommendation

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

Management's Response

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

2. **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 City's financial statements for the year ended April 30, 2024.

CURRENT RECOMMENDATIONS

2. **GASB STATEMENT NO. 100 ACCOUNTING CHANGES AND ERROR CORRECTIONS - Continued**

Recommendation

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

Management's Response

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

3. **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 postemployment 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 City's financial statements for the year ended April 30, 2024.

Recommendation

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

Management's Response

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

PRIOR RECOMMENDATIONS

1. FUND NOT IN COMPLIANCE WITH FUND BALANCE POLICY

Comment

Previously, we noted the following fund with a fund balance that was not in compliance with the City Council approved fund balance policy:

	<u>Per 2022 Budget</u>	<u>Fund Balance per AFR</u>	<u>Amount Not In Compliance</u>
Storm Water Management			
Minimum			
Operating Expenditures	\$ 738,100		
Less: Capital Outlay and Depreciation	<u>(242,000)</u>		
	496,100		
25% per policy	<u>25%</u>		
	124,025	84,768	39,257

Recommendation

We recommended the City investigate the fund balance and adopt future budgets to address the item not in compliance.

Status

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 City's financial statements for the year ended April 30, 2024.

Recommendation

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

Status

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

Management Response

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

PRIOR RECOMMENDATIONS - Continued

3. 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	04/30/22	04/30/23
Washington 223	\$ —	1,380
West Holland SSA	9,263	—

Recommendation

We recommended the City 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 will work to correct it in the coming year.

4. FUNDS WITH DEFICIT FUND BALANCE

Comment

During our current year-end audit procedures, we noted the following funds with deficit fund balance:

Fund	04/30/22	04/30/23
Freedom Parkway	\$ 60,997	21,729
West Holland SSA	3,748	12,992

Recommendation

We recommended the City investigate the causes of the various deficits 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 will work to correct it in the coming year.