VILLAGE OF GLENCOE, ILLINOIS

MANAGEMENT LETTER

FOR THE FISCAL YEAR ENDED
FEBRUARY 28, 2019
June 17, 2019

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

In planning and performing our audit of the financial statements of the Village of Glencoe (the Village), Illinois, for the year ended February 28, 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 of Trustees, management, and others within the Village of Glencoe, 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
1. **POLICE PENSION FUNDING**

**Comment**

Previously, we noted that the Police Pension Fund’s employer contributions were below the actuary’s annual required contributions (ARC). For February 28, 2018 the Police Pension Fund’s ARC is $1,569,862 and the employer contributions were $1,160,572, resulting in 73.93% funding. As such, the Village’s Police Pension Fund is not being funded per the actuary’s recommendation.

**Recommendation**

The actuarial accrued liability for the Police Pension Fund will continue to increase and the funded ratio will continue to decrease if the Village does not fund the pension fund 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 Pension Fund 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.
2. **FUNDS OVER BUDGET**

Comment

Previously, we noted that the following funds have an excess of actual expenditures over budget for the fiscal year:

<table>
<thead>
<tr>
<th>Fund</th>
<th>Excess</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Obligation Bonds</td>
<td>$279</td>
</tr>
<tr>
<td>Enhanced 911 System</td>
<td>110</td>
</tr>
<tr>
<td>Police Pension</td>
<td>69,879</td>
</tr>
</tbody>
</table>

During the current year audit, we noted that the following funds have an excess of actual expenditures over budget for the fiscal year:

<table>
<thead>
<tr>
<th>Fund</th>
<th>Excess</th>
</tr>
</thead>
<tbody>
<tr>
<td>Police Pension</td>
<td>$40,810</td>
</tr>
<tr>
<td>Firefighters' Pension</td>
<td>198</td>
</tr>
</tbody>
</table>

Recommendation

Although the Village did not have expenditures in excess of the Village’s appropriation, the above funds had expenditures in excess of the Village’s budget. We recommended the Village investigate the causes of the funds over budget and adopt appropriate future funding budgeting measures accordingly.

Status

This matter will continue to be a subject of budget policy discussion in the coming year. The Village has implemented a mid-year budget review process to better ensure that appropriations are tracking in accordance with the approved budget.

Management Response

The Police Pension Fund is over budget by $40,810 due to higher than anticipated survivor benefit expense due to the unexpected passing of a retired member and the Fire Pension Fund is over budget by $198 due to the timing of a cost of living increase for the last remaining member in that fund. Although a budget amendment was completed mid-year to ensure legal compliance with the Village’s appropriations ordinance, the adjustment was not sufficient to cover the budget overage.

As part of the FY 2020 budget process, projections for both of these funds will be adjusted to account for higher expenditure levels. Additionally, management will discuss with the Finance Committee whether or not it is appropriate to continue budgeting for these funds, since the majority of these expenditures are under the control of a separate governing body.