VILLAGE OF GLENCOE, ILLINOIS

MANAGEMENT LETTER

FOR THE FISCAL YEAR ENDED
FEBRUARY 28, 2018
June 18, 2018

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, 2018, 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
CURRENT RECOMMENDATIONS

1. POLICE PENSION FUNDING

Comment

During our current year-end audit procedures, 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 recommend that the Village fund the Police Pension Fund according to the actuarially determined required contributions for each fiscal year.

Managements Response

The Village has historically contributed amounts in excess of the actuarially determined contribution, as evidenced by the Schedule of Employer Contributions that accompany the financial statements. These contributions were historically made primarily from property tax collections and supplemented with resources from the Village’s General Fund. As part of the FY 2018 budget discussions, the Village Board considered concerns with the uncertainty surrounding future of pensions at the State level, as well as possible changes to the structure of public safety pensions. As a result, the Board authorized a contribution to the pension fund that would be a hybrid between the State of Illinois recommendation and the level recommended by the actuary. The additional amount was not included in the calculation of the contribution for FY 2018. As typical, property tax collections were not sufficient to meet this recommendation, and General Fund resources were needed to meet the authorized contribution. However, it was discovered that this contribution was not made, and that resources remained in the General Fund reserve.

The Village remains strongly committed to appropriately funding its pension obligations. To rectify the shortfall, a recommendation will be made to the Village Board that the difference between tax revenue collected and the contribution recommended as part of the budget process be contributed to the pension fund from the Village’s General Fund reserve, in addition to contributions required for the current year. Pension fund contributions will continue to be a subject of budget policy discussion in the coming year.
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 Village’s financial statements for the year ended February 28, 2019.

Recommendation

We recommended that the Village 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 Village to assist in the implementation process, including assistance in determining the implementation timeline with the Village 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 Village 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. **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>$14,690</td>
</tr>
<tr>
<td>Police Pension</td>
<td>115,286</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>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>

**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 will consider a mid-year budget review process to better ensure that appropriations are tracking in accordance with the approved budget. This comment will not be repeated in the future.

**Managements Response**

The General Obligation Bonds (Debt Service Fund) is slightly over budget due to higher than anticipated fees for both banking and paying agent services for the administration of the Series 2009 General Obligation Bonds.

The Police Pension Fund is slightly over budget due to higher than expected number of retirements.

As part of the FY 2019 budget process, projections for both of these funds will be adjusted to account for higher expenditure levels.