

VILLAGE OF TIMBERLANE,  
ILLINOIS

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MANAGEMENT LETTER

FOR THE FISCAL YEAR ENDED  
DECEMBER 31, 2017



February 18, 2018

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

In planning and performing our audit of the financial statements of the Village of Timberlane (the Village), Illinois, for the year ended December 31, 2017, 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 Timberlane, 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

## PRIOR RECOMMENDATIONS

### 1. CAPITAL ASSET POLICY

#### Comment

Previously and during our current year-end audit procedures, we noted the Village does not have a formal capital asset policy to provide guidance on the financial aspects and stewardship of capital assets. With respect to the financial aspects, guidance should be provided on the minimum dollar amount and minimum useful life for an item to be capitalized as a capital asset. Stewardship issues include the physical custody of capital assets.

#### Recommendation

We recommended that the Village adopt a capital asset policy, which addresses both financial, and stewardship issues. As part of developing the capital asset policy, a review of the current capitalization amount and estimated useful life should be performed for both financial reporting and stewardship. 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. Once the policy has been established, we recommend the Village undertake a complete inventory and valuation of capital assets to create detail capital asset records that are in compliance with the new policy. Additionally, as part of this process we recommend land be inventoried and valued at its estimated fair value on the date donated.

#### Status

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

### 2. FUND BALANCE POLICY

#### Comment

Previously and during our current year-end audit procedures, we noted that the Village did not have a Board approved fund balance policy. A fund balance policy establishes a minimum level at which the projected end-of-year fund balance/net position should be maintained, taking into account the constraints imposed upon the resources reported by the governmental funds. A fund balance policy assists in providing financial stability and the assurance that the Village will be able to respond to emergencies with fiscal strength.

It is essential to maintain adequate levels of funds balance/net position to mitigate current and future risks and to ensure tax rates. Fund balance/net position levels are also crucial consideration in long-term financial planning. Credit rating agencies carefully monitor levels of fund balance/net position and unassigned fund balance in the General Fund to evaluate the Village's continued creditworthiness.

## PRIOR RECOMMENDATIONS – Continued

### 2. FUND BALANCE POLICY – Continued

#### Recommendation

We recommended the Village adopt a fund balance policy and have it be in compliance with GASB Statement No. 54. The Village should address fund balance reporting categories (nonspendable, restricted, committed, assigned, and unassigned) as well as review minimum fund balance policies.

#### Status

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

### 3. 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 years:

| <u>Fund</u>    | <u>12/31/17</u> | <u>12/31/16</u> |
|----------------|-----------------|-----------------|
| General        | \$ 229,175      | -               |
| Motor Fuel Tax | -               | 8,530           |

#### Recommendation

We recommended the Village investigate the cause 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.