

REGION 1 PLANNING COUNCIL, ILLINOIS
MANAGEMENT LETTER



FOR THE FISCAL YEAR ENDED
JUNE 30, 2023

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January 25, 2024

Members of the Board
Region 1 Planning Council
Rockford, Illinois

In planning and performing our audit of the financial statements of the Region 1 Planning Council (the Council), Illinois, for the year ended June 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, Executive Director and senior management of the Region 1 Planning Council, 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 Council 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 Council staff.

Lauterbach & Amen, LLP

LAUTERBACH & AMEN, LLP

CURRENT RECOMMENDATIONS

1. 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 Council's financial statements for the year ended June 30, 2024.

Recommendation

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

Management Response

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

2. 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 post-employment 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 Council's financial statements for the year ended June 30, 2025.

Recommendation

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

Management Response

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

PRIOR RECOMMENDATIONS

1. FUND WITH DEFICIT FUND BALANCE

Comment

Previously and during our current year-end audit procedures, we noted the following fund with deficit fund balance:

<u>Fund</u>	<u>6/30/2022</u>	<u>6/30/2023</u>
Northern Council of Governments	\$ 3,174	12,869

Recommendation

We recommended the Council investigate the causes of the deficit and adopt appropriate future funding measures.

Status

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

Management Response

Management acknowledges this comment and will work to correct it in the coming year.

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 Council's financial statements for the year ended June 30, 2023.

Recommendation

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

Status

As the Council has no material SBITAs, there was no impact on the financial statements in the current year, therefore this comment is considered implemented. The Council and Lauterbach & Amen will continue to monitor SBITAs in the future to determine if additional reporting is required.

PRIOR RECOMMENDATIONS - Continued

3. FUND NOT IN COMPLIANCE WITH FUND BALANCE POLICY

Comment

Previously and during our current year-end audit procedures, we noted the following fund with fund balance that was not in compliance with the Board approved fund balance policy:

	Per 2023 AFR	Unassigned/ Restricted Fund Balance per AFR	Amount Not in Compliance
Northern Council of Governments			
Minimum			
Budgeted Operating Expenditures	\$ 54,200		
x 1 of 12 months per policy	1/12		
	4,336	(12,869)	17,205

	Per 2022 AFR	Unassigned/ Restricted Fund Balance per AFR	Amount Not in Compliance
Northern Council of Governments			
Minimum			
Budgeted Operating Expenditures	\$ 60,100		
x 1 of 12 months per policy	1/12		
	5,008	(3,174)	8,182

Recommendation

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

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.

PRIOR RECOMMENDATIONS - Continued

4. 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	6/30/22	6/30/23
General	\$ —	35,328
Northern Illinois Land Bank Authority	36,266	9,537
Northern Council of Governments	—	4,826

Recommendation

We recommended the Council 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.

5. ACCOUNTING SOFTWARE

Comment

Previously and during our current year-end audit procedures, we noted that the Council is using Quickbooks as the accounting software package. While this software does provide for general accounting and bookkeeping functions for the Council the version being utilized by the Council does not support multi-fund reporting. Therefore, the recording of certain transactions between funds becomes cumbersome and inefficient and there are reporting limitations with the software as it relates to producing multi-fund financial statements.

Recommendation

We recommended that the Council review its current accounting software package and possibly work with Quickbooks to determine if there are other software capabilities that can be utilized to better support multi-fund reporting for the Council. There are also specific software packages available that are specifically designed to support multi-fund accounting and financial reporting.

Status

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

Management Response

Management acknowledges this comment and is in the process of procuring a fund accounting application.