

REGION 1 PLANNING COUNCIL,  
ILLINOIS

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MANAGEMENT LETTER

FOR THE FISCAL YEAR ENDED  
JUNE 30, 2021



April 25, 2022

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, 2021, 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. FUNDS OVER BUDGET

#### Comment

Previously and during our current year-end audit procedures, we noted that the Council does not have a formal 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 and proprietary funds. A fund balance policy assists in providing financial stability, cash flow for operations, and the assurance that the Council 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 Council's continued creditworthiness.

#### Recommendation

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

#### Management Response

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

### 2. GASB STATEMENT NO. 87 LEASES

#### Comment

In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87, *Leases*, which provides guidance regarding the information needs of financial statement users by improving accounting and financial reporting for leases by governments. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. In accordance with GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which was issued as temporary relieve to governments and other stakeholders in light of the COVID-19 pandemic, GASB Statement No. 87, *Leases* is applicable to the Council's financial statements for the year ended June 30, 2022.

#### Recommendation

Lauterbach & Amen, LLP will work directly with the Council's to review the new lease criteria in conjunction with the Council's current leases to determine the appropriate financial reporting for these activities under GASB Statement No. 87.

#### Management Response

Management acknowledges this comment, if applicable, and will work with Lauterbach and Amen, LLP to implement it by June 30, 2022, as required by GASB.

## PRIOR RECOMMENDATIONS

### 1. 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:

<u>Fund</u>	<u>6/30/20</u>	<u>6/30/21</u>
General	\$ 1,088,678	96,978
Winnebago County Geographic Information System	16,035	—

#### 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 notes that the General Fund had several unbudgeted grant awards, predominantly related to: IDHS Census (State), US DOJ Project Safe Neighborhoods (PSN) (federal), IDOT State Planning and Research Funds (SPR) – Freight Study, Keith Creek, Passenger Rail Siting (State/Federal).

### 2. FUNDS WITH DEFICIT FUND BALANCE

#### Comment

Previously, we noted the following funds with deficit fund balance:

<u>Fund</u>	<u>6/30/20</u>
General	\$ 40,673
Trustee Program	41,117

#### Recommendation

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

#### Status

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

## **PRIOR RECOMMENDATIONS - Continued**

### 3. **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.