



# BENNING GROUP, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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September 18, 2019

Village of Durand, Illinois:

We have audited the modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village of Durand, Illinois (the Village) for the year ended April 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 17, 2019. Professional standards also require that we communicate to you the following related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in the engagement letter dated June 17, 2019, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with the modified cash basis of accounting, which is a basis of accounting other than, and differs from, accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

We have not been engaged to report on other information as listed in the table of contents, which accompany the financial statements but is not required supplementary information. Our responsibility with respect to this other information in documents containing the audited financial statements and auditor's report does not extend beyond the financial information identified in the report. We have no responsibility for determining whether this other information is properly stated. This other information will not be audited and we will not express an opinion or provide any assurance on it

Our responsibility is also to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the Village. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

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We are responsible for communicating significant matters related to the audit that are, in our professional judgement, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Village's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Village are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were corrected by management:

- Cumulative adjustments totaling \$435,721 to reclassify capital outlay from expenditure accounts to the appropriate asset accounts – within the Water and Sewer fund
- An adjustment of \$126,136 to reclassify the principal portion of debt payments to the appropriate liability account – within the Water and Sewer fund
- An adjustment of \$120,500 to reclassify loan proceeds from a revenue account to a long-term liability account – within the Water and Sewer fund
- An adjustment of \$88,487 to record depreciation expense – within the Water and Sewer fund

### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated September 18, 2019.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Village's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards with management each year prior to retention as the Village's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### *Other Matters*

We were not engaged to report on other information as listed in the table of contents, which accompany the financial statements but is not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it

### *Internal Control Matters*

In planning and performing our audit of the financial statements of the as of and for the year ended April 30, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the Village's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in internal control to be a significant deficiency:

**Segregation of Duties**

The Village has minimal segregation of duties among personnel involved with the accounting function regarding recording, processing, and reporting financial data. We recognize that in an environment of limited staff, proper segregation of duties is virtually impossible, however we acknowledge the efforts the Village has taken to help mitigate this risk. We wish to remind the board that a detailed review of financial statements, appropriation vs. actual results, bank reconciliations and expense reports by a board member (normally the Board Treasurer or Finance Committee Chair) greatly enhances the internal control.

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We have attached to this letter our summary of comments and recommendations as a result of our procedures.

This information is intended solely for the use of the Board of Trustees, management, others within the organization, the State of Illinois, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



Freeport, Illinois  
September 18, 2019

**Village of Durand**  
**Letter of Comments**  
**June 30, 2019**

1. During our review of long-term debt in the Water and Sewer fund, it was noted that principal repayments are recorded in expenditure accounts. Business-type activities require long-term liability accounts to be presented in the basic financial statements. For this reason, principal payments should be applied to the long-term liability accounts and not reflected as a current expenditures. We recommend the Village appropriately reflect principal payments in the related long-term liability accounts.
  
2. During our review of Village employees' participation in the Illinois Municipal Retirement Fund, we noted one employee who had exceeded the 1,000 hour threshold for participation in IMRF who had not been enrolled. Through discussion with management, this position was not initially expected to exceed the 1,000 hour limit and is not expected to exceed this limit in the future; therefore enrollment is not required at this time. However, we determined during our testing that the Village had not identified the employee as potentially being eligible for enrollment since there is no tracking system in place for monitoring employee hours for eligibility. We recommend the Village monitor employee hours on an annual basis in order to determine each position's expected number of hours and whether participation in IMRF is appropriate.