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October 27, 2025

Board of Trustees and Management
Village of Wayne, Illinois
Wayne, Illinois

In planning and performing our audit of the financial statements of the **Village of Wayne, Illinois** (Village), as of and for the year ended April 30, 2025, 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 our 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; therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness.

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 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 consider the following deficiency in the Village's internal control to be a material weakness.

**Year End Financial Reporting Process**

Generally accepted auditing standards, "*Communicating Internal Control Related Matters Identified in an Audit,*" defines the terms *significant deficiencies* and *material weaknesses* in internal control over financial reporting.

Among others, lack of controls over the period end financial reporting process is considered a deficiency in internal control. In addition, when the auditor identifies a material misstatement (i.e., a material audit adjustment) in the financial statements that was not initially identified by the entity, there is ordinarily a corresponding material weakness. The standard emphasizes that the external auditor cannot be part of an entity's internal control process over financial reporting. Accordingly, we require evidence and documentation from management to support our evaluation about the effectiveness of internal controls over financial reporting.

**Year End Financial Reporting Process** (cont'd)

Selden Fox, Ltd., in conjunction with management, has prepared the drafts of the financial statements of the Village, including note disclosures, as part of the audit process for the year ended April 30, 2025. In addition, we have performed the required evaluation under the guidelines of this audit standard as to whether management, other employees, or those charged with corporate governance have the qualifications and training to apply generally accepted accounting principles (GAAP) in recording the Village's transactions or in preparing its financial statements, including note disclosures, and have determined that management does not have the expertise to prepare all necessary note disclosures.

It is typical for entities the size of the Village to have this comment, and we only recommend action if there is a cost-benefit realized in doing so. Many entities have decided action is not cost-beneficial.

Also, the Village keeps its general ledger on a modified cash basis. The Village does provide us with information to record substantially all recurring year-end accruals. However, journal entries, including establishing accruals at the beginning of the year and reversing the prior year's year-end accruals must be made to the unadjusted trial balance in order to properly present current year activity for the fund financial statements. As a result, the financial statements included in the audit report are substantially different than those the Board is ordinarily accustomed to viewing. If the Village feels there are benefits outweighing the costs (consisting primarily of additional time commitments from the bookkeeper) from converting the general ledger from a cash basis to a modified accrual basis, **we recommend** the Village convert the general ledger to the modified accrual basis. From a governance standpoint, reviewing items on a cash basis may be more practical for the Village; however, those charged with corporate governance may not be aware of all liabilities that exist on a timely basis if payables and accruals are not recorded.

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.

During our audit, we noted the following operational or administrative matter we believe to be of potential benefit to you.

**Future Accounting and Auditing Pronouncements**

The Governmental Accounting Standards Board (GASB) has issued a number of pronouncements that become effective in future years, including GASB Statement No. 95 that postponed the effective date of most of these statements by one year due to the COVID pandemic. The effective dates shown below are the newly extended effective dates that may impact the Village. Those recently issued statements which may have an impact on the Village are detailed below:

> GASB Statement 102, *Certain Risk Disclosures,* improves financial reporting by providing users with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact. Users of financial statements will have better information with which to understand and anticipate certain risks to a government's financial condition. Statement No. 102 is effective for the fiscal year ending April 30, 2026.

**Future Accounting and Auditing Pronouncements**

GASB Statement 103, *Financial Reporting Model Improvements,* improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. Changes are proposed to the management's discussion and analysis, presentation of unusual or infrequent items, presentation of proprietary fund statement of revenues, expenses and changes in fund net position, major component unit information, and budgetary comparison information. Statement No. 103 is effective for the fiscal year ending April 30, 2027.

GASB Statement 104, *Disclosure of Certain Capital Assets,* improves financial reporting by requiring separate disclosure in the capital assets note disclosure of lease assets recognized in accordance with GASB Statement No. 87, intangible assets recognized in accordance with GASB Statement No. 94, and subscription assets recognized in accordance with GASB Statement No. 96. The Statement also requires additional disclosures for capital assets held for sale. Statement No. 104 is effective for the fiscal year ending April 30, 2027.

This communication is intended solely for the information and use of the Board of Trustees, management, and others within the Village, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to take this opportunity to express our appreciation to you, and to the Village's staff, for the courtesy and cooperation extended to our staff during the audit. Should you wish to discuss further any of the matters referred to, or if we can be of assistance in implementing any of the suggestions, we will be pleased to do so at your convenience.

Selden Fox, Ltd.