



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Supervisor and Board of Trustees  
Township of Leyden, Illinois

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of Township of Leyden, Illinois, as of and for the year ended March 31, 2025, and the related notes to the financial statements, which collectively comprise the Township of Leyden, Illinois' basic financial statements and have issued our report thereon dated December 15, 2025.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Township of Leyden, Illinois' 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Township of Leyden, Illinois' internal control. Accordingly, we do not express an opinion on the effectiveness of Township of Leyden, Illinois' internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2025-001 that we consider to be a material weakness.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Township of Leyden, Illinois' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Township of Leyden, Illinois' Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Township of Leyden, Illinois' response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Township of Leyden, Illinois' response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*MW & Associates, P.C.*

Hillside, Illinois  
December 15, 2025

**SCHEDULE OF FINDINGS AND RESPONSES**  
**MATERIAL WEAKNESS**

**2025-001 Controls over Financial Reporting (Repeated from Previous Year)**

*Comment:*

The Township's management is responsible for the preparation and fair presentation of financial statements in accordance with accounting principles generally accepted in the United States of America which includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement. While the Township consistently strives to improve their financial reporting structure and processes, the following weaknesses in internal controls inhibit the accurate preparation of financial statements::

- Numerous adjustments were proposed by the auditors. Entries included accruals for tax revenues, accounts payable, prepaid expenditures, interest payable, and compensated absences. Additionally, numerous adjustments to proprietary accounts receivable balances, adjustments to accrued liability accounts, adjustments related to outstanding items in bank reconciliations and other reclassifications were also reported.
- Regarding the adjustment to proprietary accounts receivable balances, we have noted that the subsidiary report generated from Locis only reported accounts with previous balances. Therefore, since the report was dated on April 1, any bills that were generated for customers with either a negative or zero-dollar balance did not appear on the subsidiary report. It was believed that since the report was run on April 1, all April 1 bills would appear on the subsidiary report that was then reconciled and adjusted to the Township's general ledger. However, such an omission meant that the ending receivable balance and associated revenue accounts were understated at year-end. The Township should consider researching whether or not Locis can provide subsidiary reports that encompass all accounts with a balance as of a selected date. This will aid in the reconciliation process and ensure greater accuracy in financial reporting.
- Bank reconciliations provided during the audit featured several reconciling items that were either journal entries to correct errors or from previous fiscal years that had been previously removed from the reconciliations. Additionally, the Township undertook a conversion from Quickbooks to LOCIS, which posed additional challenges during the year and caused significant variances in interfund accounts across many of the Township's funds and contributed to issues in reconciling bank statements on a monthly basis. Many bank reconciliations for bank accounts that seldom made disbursements to vendors through checks or EFTs featured outstanding payments listed generated from previous months. While Township personnel was able to identify some of the items, it did not always appear that actions to eliminate or correct such reporting were made in the form of correcting journal entries as of year-end.
- The conversion also seemed to change the way the Township prepared manual journal entries. In the past, such entries were able to be printed in bulk and then approvals would be documented on the hard copy reports. With LOCIS, it did not seem that a similar report could be generated and as a result, significations of journal entry reviews were no longer documented and records of such entries were not consistently maintained. With the number of correcting entries noted, the lack of an audit trail and inability to exhibit a review of these entries exposes the Township to material misstatements. The Township's issues with interfund balances during the fiscal year is an example of the types of misstatements and erroneous financial reporting that can occur when there is a lack of controls over manual adjustments.

- Furthermore, during the fiscal year, the Township reported two new funds in the financial statements: Capital Fund (a governmental capital projects fund) and Special Refuse Collection Fund (a proprietary fund). The Capital Fund was initially setup alongside accounts established for government-wide financial reporting by creating accounts for capital asset, pension, OPEB, and bond activity. The setup commingled modified accrual and full accrual accounts in one fund. Additionally, for the Special Refuse Collection Fund, full year activity for refuse billings, collections, and expenses were not recorded despite the Township's intent to report such activity in the fund. A significant portion of the fund's activities were reported in the Sewer & Water Fund. For both funds, the audit team needed to assist the Township in determining how to identify fund activity and then prepare journal entries necessary to reflect the intended balances.

The effect of such weaknesses in internal control is that misstatements or omissions in the financial statements would not be prevented, detected or corrected on a timely basis by the Township's internal controls over financial reporting.

*Recommendation:*

We recommend that the Township search for ways to increase knowledge surrounding financial reporting and implement controls surrounding the process so that the potential for misstatements will decrease over time. Additionally, the Township should strongly consider soliciting assistance from a public accounting firm with expertise in local government finance to assist in maintaining the general ledger and preparing the Township annually for its audit.

*Management Response:*

The Township has recently implemented a centralized accounting system to increase accurate financial reporting and implement controls surrounding processes. The LOCIS 8 system combines the current Sewer & Water, General Town, and Road District into one centralized system. This centralized system became effective on April 1, 2024. The upgrade to the LOCIS 8 system allows for more detailed reporting to ensure accuracy and eliminate adjustments to the proprietary accounts receivable balances. In addition to the centralized accounting system, Leyden Township's accountant is reviewing the financial statements prepared by the auditors. Many of the required adjustments were due to the carryover and implementation of the new system. There are currently new procedures in place, and the Township does not foresee future issues. The Township will continue to search for additional ways to increase knowledge and implement controls to reduce the potential for misstatements.