

Board of Trustees and Management
Village of La Grange Park
La Grange Park, Illinois

As part of our audit of the financial statements of the Village of La Grange Park, Illinois (Village) as of and for the year ended April 30, 2021, we wish to communicate the following to you.

AUDIT SCOPE AND RESULTS

Auditor's Responsibility Under 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

An audit performed in accordance with 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 is designed to obtain reasonable, rather than absolute, assurance about the financial statements. In performing auditing procedures, we establish scopes of audit tests in relation to the opinion unit being audited. Our engagement does not include a detailed audit of every transaction. Our contract more specifically describes our responsibilities.

These standards require communication of significant matters related to the financial statement audit that are relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. Such matters are communicated in the remainder of this letter or have previously been communicated during other phases of the audit. The standards do not require the auditor to design procedures for the purpose of identifying other matters to be communicated with those charged with governance.

An audit of the financial statements does not relieve management or those charged with governance of their responsibilities. Our contract more specifically describes your responsibilities.

Qualitative Aspects of Significant Accounting Policies and Practices

Significant Accounting Policies

The Village's significant accounting policies are described in Note 1 of the audited financial statements.

As discussed in Note 1 of the audited financial statements, for 2021 the Village adopted Government Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*.

Alternative Accounting Treatment

We had no discussions with management regarding alternative accounting treatments within accounting principles generally accepted in the United States of America for policies and practices for material items, including recognition, measurement and disclosure considerations related to the accounting for specific transactions as well as general accounting policies.

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of financial statement preparation by management, based on its judgments. The following areas involve significant estimates for which we are prepared to discuss management's estimation process and our procedures for testing the reasonableness of those estimates:

- Pension and other postemployment benefit costs and liabilities are based on actuarial assumptions and are subject to uncertainties of future events.

Financial Statement Disclosures

The following areas involve particularly sensitive financial statement disclosures for which we are prepared to discuss the issues involved and related judgments made in formulating those disclosures:

- Long-term debt obligations of the Village, including future maturities
- Other post-employment benefits and pension benefits under Illinois Municipal Retirement Fund and the Village's Police Pension Fund

Audit Adjustments

During the course of any audit, an auditor may propose adjustments to financial statement amounts. Management evaluates our proposals and records those adjustments which, in its judgment, are required to prevent the financial statements from being materially misstated. A misstatement is a difference between the amount, classification, presentation, or disclosure of a reported financial statement item and that which is required for the item to be presented fairly in accordance with the applicable financial reporting framework. Some adjustments proposed were not recorded because their aggregate effect is not currently material; however, they involve areas in which adjustments in the future could be material, individually or in the aggregate.

Proposed Audit Adjustments Recorded

- None

Proposed Audit Adjustments Not Recorded

- Attached is a summary of uncorrected misstatements we aggregated during the current engagement and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, but more than trivial to the financial statements as a whole.

- We would like to call your attention to the fact that although these uncorrected misstatements, individually and in the aggregate, were deemed to be immaterial to the current year financial statements, it is possible that the impact these uncorrected misstatements, or matters underlying these uncorrected misstatements, could potentially cause future-period financial statements to be materially misstated.

Auditor's Judgments About the Quality of the Village's Accounting Principles

During the course of the audit, we made the following observations regarding the Village's application of accounting principles:

- No matters are reportable.

Other Material Communications

Listed below are other material communications between management and us related to the audit:

- Management representation letter (attached)

OTHER MATTERS

Although not considered material weaknesses, significant deficiencies, or deficiencies in internal control over financial reporting, we observed the following matters and offer these comments and suggestions with respect to matters which came to our attention during the course of the audit of the financial statements. Our audit procedures are designed primarily to enable us to form an opinion on the financial statements and, therefore, may not bring to light all weaknesses in policies and procedures that may exist. However, these matters are offered as constructive suggestions for the consideration of management as part of the ongoing process of modifying and improving financial and administrative practices and procedures. We can discuss these matters further at your convenience and may provide implementation assistance for changes or improvements.

New Accounting Pronouncements

GASB Statement No. 87, Leases (GASB 87)

In June 2017, GASB published Statement No. 87, *Leases*. The standard was the result of a multi-year project to reexamine the accounting and financial reporting for leases. The new standard establishes a single model for lease accounting based on the principle that leases represent the financing of the right to use an underlying asset. Specifically, GASB 87 includes the following accounting guidance for lessees and lessors:

Lessee Accounting – A lessee will recognize a liability measured at the present value of payments expected to be made for the lease term, and an intangible asset measured at the amount of the initial lease liability, plus any payments made to the lessor at or before the beginning of the lease and certain indirect costs. A lessee will reduce the liability as payments are made and recognize an outflow of resources for interest on the liability. The asset will be amortized by the lessee over the shorter of the lease term or the useful life of the asset.

Lessor Accounting – A lessor will recognize a receivable measured at the present value of the lease payments expected for the lease term and a deferred inflow of resources measured at the value of the lease receivable plus any payments received at or prior to the beginning of the lease that relate to future periods. The lessor will reduce the receivable as payments are received and recognize an inflow of resources from the deferred inflow of resources in a systematic and rational manner over the term of the lease. A lessor will not derecognize the asset underlying the lease. There is an exception for regulated leases for which certain criteria are met, such as airport-aeronautical agreements.

The lease term used to measure the asset or liability is based on the period in which the lessee has the noncancelable right to use the underlying asset. The lease term also contemplates any lease extension or termination option that is reasonably certain of being exercised.

GASB 87 does not apply to leases for intangible assets, biological assets (*i.e.*, timber and living plants and animals), service concession agreements or leases in which the underlying asset is financed with conduit debt that is reported by the lessor. Additionally, leases with a maximum possible term of 12 months or less are excluded.

The effective date is for periods beginning after June 15, 2021.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period (GASB 89)*

GASB 89 requires financial statements prepared using the economic resources measurement focus to recognize interest cost incurred before the end of a construction period as an expense in the period in which the cost is incurred. Such interest cost will not be capitalized as part of the historical cost of a capital asset.

It also requires that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period is to be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

GASB 89 is effective for reporting periods beginning after December 15, 2020.

GASB Statement No. 91, *Conduit Debt Obligations (GASB 91)*

GASB 91 establishes consistent recognition, measurement and disclosure between governments for conduit debt obligations. The guidance clarifies the existing definition of a conduit debt obligation, establishes a single method of reporting for issuers and enhances note disclosures.

GASB 91 is effective for reporting periods beginning after December 15, 2021.

GASB Statement No. 92, *Omnibus 2020 (GASB 92)*

GASB 92 addresses practice issues that have been identified during implementation and application of certain GASB statements. The statement addresses a variety of topics including issues related to leases, intra-Village transfers, fiduciary activities and fair value disclosures.

GASB 92 is effective for reporting periods based on individual topics discussed therein. Earlier application is encouraged and is permitted by individual topic to the extent that all requirements associated with an individual topic are implemented simultaneously.

GASB Statement No. 93, *Replacement of Interbank Offered Rates (GASB 93)*

GASB 93 addresses the accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate.

GASB 93 is effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements (GASB 94)*

GASB 94 establishes the definitions of public private and public-public partnership arrangements and availability payment arrangements. The statement also provides uniform guidance on accounting and financial reporting for transactions that meet those definitions.

GASB 94 is effective for reporting periods beginning after June 15, 2022. Earlier application is encouraged.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (GASB 96)*

GASB 96 provides guidance on governments that are utilizing more cloud-based solutions for their information technology (IT) needs, and paying for the use of third-parties' IT software on a subscription basis. The accounting and financial reporting for what GASB refers to as subscription-based information technology arrangements (SBITAs) has been inconsistent because of a lack of authoritative guidance. The standard is effective for reporting periods after June 15, 2022, and all reporting periods thereafter, with early implementation encouraged. The statement would be applied retroactively, using the facts and circumstances that exist at the beginning of the fiscal year of implementation. Due to the COVID-19 pandemic, the effective date was delayed one year from that originally proposed.

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

BKD, LLP

Oakbrook Terrace, Illinois
October 27, 2021