VILLAGE OF BARTLETT, ILLINOIS

MANAGEMENT LETTER

FOR THE FISCAL YEAR ENDED
APRIL 30, 2023

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October 16, 2023

The Honorable Village President
Members of the Board of Trustees
Village of Bartlett, Illinois

In planning and performing our audit of the financial statements of the Village of Bartlett (the Village), Illinois, for the year ended April 30, 2023, 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 Village of Bartlett, 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 Village 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 Village staff.

Lauterbach & Amen, LLP

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CURRENT RECOMMENDATIONS

1. GASB STATEMENT NO. 94 PRIVATE-PUBLIC AND PUBLIC-PUBLIC PARTNERSHIPS AND AVAILABILITY PAYMENT ARRANGEMENTS

Comment

In March 2022, the Governmental Accounting Standards Board (GASB) issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which provides guidance regarding the information needs of financial statement users by improving the comparability of financial statements among governments that enter into public-private and public-public partnerships (PPPs) and availability payment arrangements (APAs) and by enhancing the understandability, reliability, relevance, and consistency of information about PPPs and APAs. A PPP is an arrangement in which a government (the transferor) contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definitions Service Concession Arrangements (SCAs) if (a) the operator collects and is compensated by fees from third parties, (b) the transferor (government) determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services, and (c) the transferor (government) is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. An APA is an arrangement in which a government compensates an operator for activities that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* is applicable to the Village's financial statements for the year ended April 30, 2024.

Recommendation

Lauterbach & Amen, LLP will work directly with the Village to review the new criteria associated with PPPs and PPAs to determine the appropriate financial reporting for these activities under GASB Statement No. 94.

Management Response

Management acknowledges this comment and, if applicable, will work to implement it when required by GASB.

2. GASB STATEMENT NO. 96 SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

Comment

In May 2020, the Governmental Accounting Standards Board (GASB) issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, which provides guidance regarding the information needs of financial statement users by improving accounting and financial reporting for Subscription-Based Information Technology Arrangements (SBITAs) by governments. It establishes uniform accounting and financial reporting requirements for SBITAs, improves the comparability of financial statements among governments that have entered into SBITAs, and enhances the understandability, reliability, relevance, and consistency of information about SBITAs. GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* is applicable to the Village's financial statements for the year ended April 30, 2024.

2. **<u>GASB STATEMENT NO. 96 SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS</u> - Continued**

<u>Recommendation</u>

Lauterbach & Amen, LLP will work directly with the Village to review the new SBITA criteria in conjunction with the Village's current arrangements to determine the appropriate financial reporting for these activities under GASB Statement No. 96.

<u>Management Response</u>

Management acknowledges this comment and, if applicable, will work to implement it when required by GASB.

3. **<u>GASB STATEMENT NO. 100 ACCOUNTING CHANGES AND ERROR CORRECTIONS</u>**

<u>Comment</u>

In June 2022, the Governmental Accounting Standards Board (GASB) issued Statement No. 100, *Accounting Changes and Error Corrections*, which establishes accounting and financial reporting requirements for (a) accounting changes, and (b) the correction of an error in previously issued financial statements (error correction). Accounting changes are (a) changes in accounting principle, (b) changes in accounting estimates, or (c) changes to or within the financial reporting entity. Error corrections are (a) errors from mathematical mistakes, mistakes in the application of accounting principles, or oversight or misuse of facts that existed at the time the financial statements were issued, or (b) a change from (i) applying an accounting principle that is not generally accepted to transactions or other events that previously were significant to (ii) applying a generally accepted accounting principle to those transactions or other events is an error correction. GASB Statement No. 100 requires that (a) changes in accounting principal and error corrections are reported retroactively, (b) changes in accounting estimates are reported prospectively, and (c) changes to or within the financial reporting entity should be reported by adjusting the current reporting period's beginning net position, fund balance, or fund net position, as applicable, for the effect of the change as if the change occurred as of the beginning of the reporting period. GASB Statement No. 100, *Accounting Changes and Error Corrections* is applicable to the Village's financial statements for the year ended April 30, 2025.

<u>Recommendation</u>

Lauterbach & Amen, LLP will work directly with the Village to review any accounting changes or error corrections to determine the appropriate financial reporting for these activities under GASB Statement No. 100.

<u>Management Response</u>

Management acknowledges this comment and, if applicable, will work to implement it when required by GASB.

4. GASB STATEMENT NO. 101 COMPENSATED ABSENCES

Comment

In June 2022, the Governmental Accounting Standards Board (GASB) issued Statement No. 101, *Compensated Absences*, which establishes standards of accounting and financial reporting for (a) compensated absences, and (b) associated salary-related payments, including certain defined contribution pensions and defined contribution other post-employment benefits (OPEB). The statement requires that a liability should be recognized for any type of leave that has not been used at year-end if (a) The leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Examples of leave that should be reviewed, and potentially measured under GASB Statement No. 101 are vacation leave, paid time off leave, holiday leave, and sick leave. Examples of leave that are excluded from GASB Statement No. 101 are parental leave, military leave, and jury duty leave. GASB Statement No. 101, *Compensated Absences* is applicable to the Village's financial statements for the year ended April 30, 2025.

Recommendation

Lauterbach & Amen, LLP will work directly with the Village to review the new compensated absences and associated salary-related payments, including certain defined contribution pensions and defined contribution other post-employment benefits criteria to determine the appropriate financial reporting for these activities under GASB Statement No. 101.

Management Response

Management acknowledges this comment and, if applicable, will work to implement it when required by GASB.

PRIOR RECOMMENDATIONS

1. **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 Village's financial statements for the year ended April 30, 2023.

Recommendation

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

Status

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

2. **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/expenses, exclusive of depreciation, over budget for the fiscal year:

Fund	4/30/23	4/30/22
Debt Service	$ —	215,653
Capital Projects - Rt. 59 & Lake St.	16,177	—
Capital Projects - Brewster TIF	1,296,631	—
Capital Projects - Bluff City	—	156,655

Recommendation

We recommended the Village 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

The Rt. 59 & Lake St. TIF was over budget due to the interest owed to the Municipal Building, Developer Deposits, and Sewer funds for the Rt. 59 & Lake Street loan. The interest is calculated based on the average earnings on village funds for the preceding calendar year. The average interest rate jumped from .07% in 2021 to 1.69% in 2022. In FY 24 we increased the budget from $8,000 to $190,000 to account for the rising interest rates. The Brewster Creek Project TIF was over budget due to a timing issue on when we had anticipated the developer, Elmhurst Chicago Stone, to submit their payouts for capital outlay. With the TIF closing we had budgeted for these expenditures in FY 22; however, Elmhurst Chicago Stone didn't submit these payouts until FY 23. Therefore, capital outlay was under budget by $1,614,000 in FY 22 and over budget by $1,597,698 in FY 23. All of the payouts submitted in FY 23 were approved by the Village Board.

PRIOR RECOMMENDATIONS - Continued

3. **FUNDS WITH DEFICIT NET POSITION**

Comment

Previously and during our current year-end audit procedures, we noted the following funds with deficit net position.

Fund	4/30/23	4/30/22
Capital Projects - Rt. 59 & Lake St.	2,564,078	—
Golf	692,878	579,143
Parking	210895	137968

Recommendation

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

Status

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

Management Response

The Rt. 59 & Lake St. TIF has a deficit net position due to a loss on the sale of land during FY 23. Land in the TIF that was held for resale was sold to Bartlett Automotive Mall, LLC as part of a Development Incentive Agreement with Bartlett Automotive Mall, LLC and Loquercio Automotive Inc. The development incentive agreement resolution and vacant land lease with option to purchase ordinance were approved by the Village Board at the 11/21/21 board meeting. The land was originally purchased for \$2,814,078 and sold on 11/18/22 for \$250,000. The village will use sales tax generated from the car dealerships to eliminate the deficit net position in the coming years. The Golf Fund net position continued to decrease in FY 23 by \$113,735. Despite this we are seeing encouraging trends for the near future. \$103,240 of the \$113,735 deficit in FY 23 was due to increases in the IMRF net pension liability and the "Other Post-Employment Benefits" liability. These liabilities were negatively impacted by factors out of our control such as the stock market decline in 2022. The Golf Program continues to thrive post Covid with golfing rounds remaining on an upward trajectory and no signs of slowing down. The Golf Program, including Golf Maintenance, had revenues that exceeded expenditures by \$104,105 in FY 23. Another positive trend is that that the Golf Fund had a positive “net cash provided by operating activities” of \$77,947, which is up from \$66,434 in FY 22. The Parking Fund is another enterprise fund that was hit hard by the pandemic as it continues to try and climb its way out of the hole. Parking revenue in FY 23 was up \$22,419 from the prior year but this still remains down over 70% from pre-pandemic times as the number of daily commuters has remained significantly low. For the FY 24 operating budget, the village did reduce the Parking Fund's operating expenses by 30%, or \$71,826 to help eliminate the fund deficit. Staff will continue to monitor and analyze the data going forward to see if additional adjustments will be necessary.