

VILLAGE OF ELK GROVE VILLAGE, ILLINOIS

MANAGEMENT LETTER

FOR THE FISCAL YEAR ENDED
APRIL 30, 2021



October 18, 2021

The Honorable Mayor
Members of the Board of Trustees
Village of Elk Grove Village, Illinois

In planning and performing our audit of the financial statements of the Village of Elk Grove Village (Village), Illinois, for the year ended April 30, 2021, 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 fieldwork progressed.

The accompanying comments and recommendations are intended solely for the information and use of the Finance Committee, Board of Trustees, management, and others within the Village of Elk Grove Village, 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

LAUTERBACH & AMEN, LLP

CURRENT RECOMMENDATION

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 relief 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.

Management's Response

Management acknowledges the comment and will work with Lauterbach & Amen, LLP to implement when required.

PRIOR RECOMMENDATION

1. **FUNDS WITH DEFICIT FUND BALANCE**

Comment

Previously and during our current year-end audit procedures, we noted funds with deficit fund balance. See the following funds and the April 30, 2021 fund balance compared to the April 30, 2020 fund balance:

<u>Fund</u>	<u>April 30, 2020</u>	<u>April 30, 2021</u>
Grove Mall Development	\$ (675,642)	-
Busse/Elmhurst Redevelopment	(14,022,556)	(42,157)
Higgins Road Redevelopment	(19,980,579)	(17,905,564)
Devon/Rohlwing Redevelopment	(272,672)	(210,324)

Recommendation

The Grove Mall Development, Devon/Rohlwing Redevelopment, Busse/Elmhurst Redevelopment, and Higgins Road Redevelopment Funds are tax incremental funds that are supported by incremental taxes generated within the TIF. Although the funds were established with the understanding that deficits would be made whole by future incremental taxes, we recommended the Village review budgetary expectations for these funds on an annual basis.

Management Response

The Grove Mall Development TIF, Devon/Rohlwing Redevelopment TIF, Busse/Elmhurst Redevelopment TIF, and Higgins Road Redevelopment TIF were specifically created and adopted by the Village Board to reimburse deficit balances from future property taxes collected. Each year, long term goals are discussed regarding each TIF in order to be in balance by the end of the life of the TIF.

Status

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