



VILLAGE OF OAK PARK, ILLINOIS

COMMUNICATION OF DEFICIENCIES
IN INTERNAL CONTROL AND
OTHER COMMENTS TO MANAGEMENT

December 31, 2021

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COMMUNICATION OF DEFICIENCIES IN INTERNAL CONTROL AND OTHER COMMENTS TO MANAGEMENT

Mr. Kevin Jackson, Village Manager
Mr. Steven Drazner, Chief Financial Officer
Village of Oak Park, Illinois

As part of the annual audit, we are required to communicate internal control matters that we classify as significant deficiencies and material weaknesses to those charged with governance. 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 Village's financial statements will not be prevented, or detected and corrected, on a timely basis.

We did not identify any deficiencies in internal control that we consider to be material weaknesses. In addition, we reviewed the status of the comments from the December 31, 2020 audit. The status of these comments is included in Appendix A. This letter does not affect our report dated May 24, 2022 on the financial statements of the Village.

The Village's written responses to these matters identified in our audit has not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with the Chief Financial Officer, Steven Drazner and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This memorandum is intended solely for the information and use of management, and is not intended to be, and should not be, used by anyone other than these specified parties.

SiKich LLP

Naperville, Illinois
May 24, 2022

OTHER MATTERS

Future Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has issued a number of pronouncements that will impact the Village in the future.

GASB Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. 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. The requirements of this Statement are effective for the fiscal year December 31, 2022.

GASB Statement No. 91, *Conduit Debt Obligations*, was issued in May 2019. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improved required note disclosures. This statement is effective for fiscal year ending December 31, 2022.

GASB Statement No. 92, *Omnibus 2020*, addresses a variety of topics including: The effective date of Statement No. 87 for interim financial reports; reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan; the applicability of Statements No. 73 to Certain Provisions of GASB Statement Nos. 67 and 68, as amended, and No. 74, as amended, to reporting assets accumulated for postemployment benefits; the applicability of certain requirements of Statement No. 84, to postemployment benefit arrangements; measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition; reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers; reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature and terminology used to refer to derivative instruments. The requirements of this Statement are effective for the fiscal years ending December 31, 2022, and thereafter, except for the requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.

OTHER MATTERS (Continued)

Future Accounting Pronouncements (Continued)

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, addresses the following: The London Interbank Offered Rate (LIBOR), a result of global reference rate reform, 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 Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, as amended, requires a government to terminate hedge accounting when it renegotiates or amends a critical term of a hedging derivative instrument, such as the reference rate of a hedging derivative instrument's variable payment. In addition, in accordance with Statement No. 87, *Leases*, as amended, replacement of the rate on which variable payments depend in a lease contract would require a government to apply the provisions for lease modifications, including remeasurement of the lease liability or lease receivable. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. This Statement is effective for the fiscal year ending December 31, 2022.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, was issued to address issues related to accounting and reporting for public-private and public-public partnership arrangements (PPPs). A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) 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 definition of a service concession arrangement (SCA), which is defined in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor 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 (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services 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. This Statement is effective for the fiscal year ending December 31, 2023.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. This Statement establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability, provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. This Statement is effective for fiscal year ending December 31, 2023.

We will advise the Village of any progress made by GASB in developing this and other future pronouncements that may have an impact on the financial position and changes in financial position of the Village.

**APPENDIX A
STATUS OF COMMENTS FROM DECEMBER 31, 2020**

OTHER COMMENTS

Water Revenue

The following are billed versus pumped ratios for the last fiscal years (amounts in thousands of gallons):

	2020	2019	2018	2017	2016
Gallons Pumped	1,985,223	1,799,738	1,807,565	1,913,250	1,822,137
Gallons Billed	1,418,030	1,384,054	1,394,144	1,428,043	1,458,527
Billed/Pumped	71.43%	76.90%	77.13%	74.64%	80.04%

We recommend that the Village continue to monitor this ratio and investigate the water losses.

Status - Comment repeated for the fiscal year ended December 31, 2021. The Village's billed versus pumped ratio was 79.82% during the fiscal year ending December 31, 2021.

Management Response - Staff concurs that the water loss ratio of approximately 20% is accurate and it should be noted that this is a considerable improvement over the 29% total water loss from the previous year. Similar to prior staff responses on this issue, Oak Park is an older community with aging infrastructure and continued investment in replacing water mains and water meters is an absolute necessity to limit and/or reduce water being lost while traveling through the pipeline system. In addition, staff estimates that approximately 5% of the water loss is from known causes such as fire hydrant usage or the intentional flushing of lines and unauthorized consumption, customer meter inaccuracies and systematic data handling errors. Thus, after subtracting out this estimated known 5%, the true water loss for Fiscal Year 2021 is actually at about 15% which compares quite favorably to the adjusted 21% water loss calculated in Fiscal Year 2020.