



# Reporting and insights from the 2021 audit: DuPage County

November 30, 2021

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# Executive summary

We have completed our audit of the financial statements of DuPage County (the County) for the year ended November 30, 2021, and have issued our report thereon dated June 30, 2022. This letter presents communications required by our professional standards.

Your audit should provide you with confidence in your financial statements. The audit was performed based on information obtained from meetings with management, data from your systems, knowledge of your County's operating environment and our risk assessment procedures. We strive to provide you clear, concise communication throughout the audit process and of the final results of our audit.

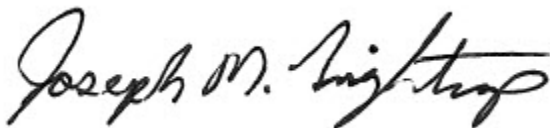
Additionally, we have included information on key risk areas DuPage County should be aware of in your strategic planning. We are available to discuss these risks as they relate to your organization's financial stability and future planning.

If you have questions at any point, please connect with us:

- Joe Lightcap, CPA, Director: [Joe.Lightcap@bakertilly.com](mailto:Joe.Lightcap@bakertilly.com) or +1 (630) 645 6215
- Michael E. Malatt, CPA, Partner: [michael.malatt@bakertilly.com](mailto:michael.malatt@bakertilly.com) or +1 (630) 645 6226
- Anna Wiszowaty, CPA, Senior Manager: [anna.wiszowaty@bakertilly.com](mailto:anna.wiszowaty@bakertilly.com) or +1 (630) 645 6238

Sincerely,

Baker Tilly US, LLP

A handwritten signature in black ink that reads "Joseph M. Lightcap". The signature is written in a cursive, flowing style.

Joseph M. Lightcap, CPA, Director

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# Responsibilities

## Our responsibilities

As your independent auditor, our responsibilities include:

- Planning and performing the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high level of assurance.
- Assessing the risks of material misstatement of the financial statements, whether due to fraud or error. Included in that assessment is a consideration of the County's internal control over financial reporting.
- Performing appropriate procedures based upon our risk assessment.
- Evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management.
- Forming and expressing an opinion based on our audit about whether the financial statements prepared by management, with the oversight of those charged with governance:
  - Are free from material misstatement
  - Present fairly, in all material respects and in accordance with accounting principles generally accepted in the United States of America
- Performing tests related to compliance with certain provisions of laws, regulations, contracts and grants, as required by *Government Auditing Standards*.
- Considering internal control over compliance with requirements that could have a direct and material effect on major federal programs to design tests of both controls and compliance with identified requirements.
- Forming and expressing an opinion based on our audit in accordance with OMB's *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance) about the entity's compliance with requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs.
- Our audit does not relieve management or those charged with governance of their responsibilities.

We are also required to communicate significant matters related to our audit that are relevant to the responsibilities of those charged with governance, including:

- Internal control matters
- Qualitative aspects of the County's accounting practice including policies, accounting estimates and financial statement disclosures
- Significant unusual transactions
- Significant difficulties encountered
- Disagreements with management
- Circumstances that affect the form and content of the auditors' report
- Audit consultations outside the engagement team
- Corrected and uncorrected misstatements
- Other audit findings or issues

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# Audit status

## Significant changes to the audit plan

There were no significant changes made to either our planned audit strategy or to the significant risks and other areas of emphasis identified during the performance of our risk assessment procedures.

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# Audit approach and results

## Planned scope and timing

### Audit focus

Based on our understanding of the County and environment in which you operate, we focused our audit on the following key areas:

- Key transaction cycles
- Areas with significant estimates
- Implementation of new accounting standards

Our areas of audit focus were informed by, among other things, our assessment of materiality. Materiality in the context of our audit was determined based on specific qualitative and quantitative factors combined with our expectations about the County's current year results.

## Key areas of focus and significant findings

### Significant risks of material misstatement

A significant risk is an identified and assessed risk of material misstatement that, in the auditor's professional judgment, requires special audit consideration. Within our audit, we focused on the following areas below.

Significant risk areas	Testing approach	Conclusion
Management override of controls	Incorporate unpredictability into audit procedures, emphasize professional skepticism and utilize audit team with industry expertise	Procedures identified provided sufficient evidence for our audit opinion
Improper revenue recognition due to fraud	Confirmation or validation of certain revenues supplemented with detailed predictive analytics based on non-financial data and substantive testing of related receivables	Procedures identified provided sufficient evidence for our audit opinion

## Other areas of emphasis

We also focused on other areas that did not meet the definition of a significant risk, but were determined to require specific awareness and a unique audit response.

Other areas of emphasis		
Cash and investments	Revenues and receivables	General disbursements and payables
Payroll	Pension and OPEB liabilities	Long-term debt
Capital assets	Fund balance/Net position calculations	Financial reporting and required disclosures
Inventory	Prepaid items	Self-insurance

## Internal control matters

We considered the County's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing an opinion on the financial statements. We are not expressing an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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.

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 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. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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. We identified the following deficiencies as significant deficiencies:

– **County Board – Finance: Non-Treasurer Held Bank Accounts**

As reported in the prior year, a properly and effectively designed system of internal control should encompass all operational activity of the County. This includes decentralized transactional activity and bank accounts maintained by the various departments and offices of the County other than the County Treasurer.

We noted that several departments and offices utilize bank accounts that are not reported in the County's general ledger software throughout the year. In both the current year and prior year, the Finance Department provided the appropriate entries and audit entries were not necessary. These "off-book" accounts consisted of governmental fund accounts and custodial accounts in which the County held fiduciary responsibility for monies required to be distributed to other entities.

While some departments and offices maintain their own systems of internal controls, the maintenance of accounts outside the County's internal control procedures ensures that the accounts and related activity do not go through the County's centralized review and approval procedures. Specifically, the County's multi-office monthly review of bank reconciliations, and review and approval process over disbursements.

By operating outside the auspices of the County's primary system of internal controls, there is a risk that the County's financial statements would exclude transactional activity and existing bank account balances without the knowledge of management or the County Board. Additionally, errors or fraud could occur in these accounts without being discovered that would have otherwise been identified within the primary control procedures.

We recommend that all bank accounts opened in the name of the County or department/office of the County be maintained and operated through the County's general ledger software. Transactions related to these accounts should also be recorded in the general ledger on a timely basis. If it is not feasible for transactional activity to be processed through the County's primary control procedures, each department and office maintaining "off-book" accounts should document and implement internal control procedures to ensure that bank reconciliations are prepared on a monthly basis and reviewed by someone other than the preparer and disbursements from the accounts be reviewed and approved before the transaction takes place.

***Management Response:***

County management concurs with Baker Tilly's recommendation with respect to the Non-Treasurer Held Bank Accounts, and continues to strongly encourage all departments that have separate bank accounts to bring these accounts "on-line" so that all related transactions are processed on a timely basis via the County's general ledger system, and that all related transactions are required to follow the County's internal control procedures. Due to the nature of some of these bank accounts, County management understands that some of these accounts may not be brought "on-line".

As mentioned above, County management continues to strongly encourage all departments that maintain Non-Treasurer Held Bank Accounts to adhere to the following internal control procedures:

- a. Prepare monthly bank reconciliations on a timely basis.
- b. Have an independent party review and sign off the monthly bank reconciliations and disbursements.

While we recognize that elected officials are not required to comply with the above internal control procedures, County management encourages them to do so, in order to achieve the highest standard in internal control. The Finance Department also continues to work closely with the County Treasurer advocating the bringing of all Non-Treasurer Held Bank Accounts "on-line".

In preparation for implementation of GASB Statement No. 84, "Fiduciary Activities" (Statement), which was effective for FY 2021, the Finance Department completed its assessment as to whether a custodial fund currently being held by the County is, in fact, a custodial fund, in accordance with the guidelines established by the Statement. Based on our assessments, the transactions for some of the custodial funds were processed via the County's general ledger system in FY2021.

- **County Board – Care Center: Patient Billing**

As reported in the prior year, the Care Center receives delayed information regarding when patients are admitted into Medicare and could receive information after the County's financial statements have been issued. As such, it is necessary for the Care Center to prepare retroactive billings once information regarding Medicare patients is received. Currently, the Care Center is behind in preparing the retroactive billings which results in this comment being repeated. The result of these occurrences is:

- > Before patients are admitted into Medicaid they are billed as private pay residents which is at a higher rate than Medicare patients and
- > When reimbursements are received from Medicaid, the Medicaid receivable account is reduced for the payment. If the payment is received prior to the retroactive billing adjustment, the bill is still included in the Private Pay receivable account. At year end, this resulted in the Medicaid receivable account having a negative balance offset by a Private Pay receivable balance that was overstated.

***Management Response:***

**Prior Process for Retroactive Billing**

A majority of DPCC's patient population is either funded through the State's Medicaid program or has applied for acceptance into the program. The State has been grossly delinquent in approving residents for Medicaid (even after they are eligible thru the Spend down process), during which time the resident remains as private pay status for billing purposes. Once notification of Medicaid approval is received, the private pay charges put into the billing software during the pending period, must be analyzed and re-established under the Medicaid payor source at the appropriate rates. Medicaid rates are adjusted quarterly and sometimes monthly and take into account such things as patient income and income offsets. The analysis and reclassification of billing requires a thorough understanding of the Medicaid process and is time consuming especially when approval can take up to a year. As a result, DPCC financial department reevaluated the current method of analysis and reclassification and put in new processes to reduce the number and complexity of retroactive billings moving forward.

**New Process for Retroactive Billing effective 12/01/2018**

Upon completion of financial screening and application for Medicaid benefits, the resident will be classified as Medicaid in DPCC billing software resulting in

- Medicaid revenue to be booked at the Medicaid rate versus Private Pay rate.
- Increased frequency of Medicaid receivable review also allows the Care Center's receivable classification to reflect the ultimate payor source and decreases the number of accounts that require review/analysis of retroactive classification changes.
- DPCC Financial services staff has reviewed and analyzed approximately 25%-30% of the existing Retroactive Medicaid Billings and made the appropriate adjustments.

**New Changes-State of Illinois Medicaid Eligibility Program**

During FY 2018, the State of Illinois established a provisional eligibility program for all residents applying for Medicaid benefits.

- The intent of the Provisional Eligibility program is to pay facilities the Medicaid rate for residents who are in the Medicaid review process. At this time, we have not yet received payment under this program.
- A quicker change in the classification of the resident payor source, allows us to bill in a timely manner and reduces the number and complexity of accounts needing retroactive analysis.



### **Status of Retroactive Billing review – Fiscal Year 2019**

As noted in the response by Care Center management in Fiscal Year 2018, new residents of the Care who apply for Medicaid continue to be classified as a Medicaid resident in the Care Center's billing system. This classification process has eliminated the need for new retroactive billing.

As of November 30, 2019, Care Center personnel have reviewed and reclassified approximately 60% of those residents who needed to be reviewed. The remaining 40% of resident reviews and reclassifications are expected to be completed during Fiscal Year 2020.

Also, as noted in the response by Care Center management in Fiscal Year 2018, the Care Center is receiving provisional eligibility for those residents who apply for Medicaid benefits, and for those residents who are currently being reviewed. The provisional eligibility has reduced the complexity of those accounts that need to be analyzed.

### **Status of Retroactive Billing review – Fiscal Year 2021**

The change in billing processes that took place in 2018 eliminated the need for retroactive billing going forward, while a lot has been done in the past to clean up the retroactive billing pre-2018 there is still work to be done. The challenges we are facing due to the pandemic, staff turnover and the difficulty of filling in open positions have had its impact. Despite these challenges we have made significant changes to improve our processes and gain efficiencies.

During 2021 Care Center Patient billing transitioned to a new billing software and a new EMR that has brought in a lot of efficiencies. Using industry's best practices, we have introduced a new payer type called "Medicaid pending" that allows us to review and follow up on cases that are pending for Medicaid approval. While both payers (Medicaid and Medicaid pending) are being billed at the Medicaid rate, this reclassification allows us to distinguish between approved and pending Medicaid cases and facilitates the review and collection process.

Patient account balance review is an ongoing process and the DPCC staff is working diligently to ensure timely submission and accuracy. We are anticipating the majority of the pre-2018 Active resident retroactive billing reviews and reclassifications will be completed by the end of 2023.

The County's written responses to the material weakness, significant deficiency and status of prior year issues identified in our audit have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

# Required communications

## Qualitative aspect of accounting practices

- Accounting policies: Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we have advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by DuPage County are described in Note 1 to the financial statements. As described in Note 1, the County changed accounting policies related to fiduciary activities by GASB statement No. 84 in 2021. Accordingly, the accounting change has been retrospectively applied to the prior period presented. We noted no transactions entered into by the County during the year for which accounting policies are controversial or for which there is a lack of authoritative guidance or consensus or diversity in practice.
- Accounting estimates: Accounting estimates, including fair value estimates, are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements, the degree of subjectivity involved in their development and because of the possibility that future events affecting them may differ significantly from those expected. The following estimates are of most significance to the financial statements:

Estimate	Management's process to determine	Baker Tilly's conclusions regarding reasonableness
Net pension liability and related deferrals	Evaluation of information provided by the Illinois Municipal Retirement System	Reasonable in relation to the financial statements as a whole
Self-insurance claims	Historical claims analysis and report provided by a 3 <sup>rd</sup> party administrator	Reasonable in relation to the financial statements as a whole
Allowance for doubtful accounts	Evaluation of historical revenues and loss levels with the analysis on collectability of individual amounts	Reasonable in relation to the financial statements as a whole
Total OPEB liability and related deferrals	Key assumptions set by management with the assistance of a third party actuary	Reasonable in relation to the financial statements as a whole
Depreciation	Evaluate estimated useful life of the asset and original acquisition value	Reasonable in relation to the financial statements as a whole

There have been no significant changes made by management to either the processes used to develop the particularly sensitive accounting estimates, or to the significant assumptions used to develop the estimates, noted above.

- Financial statement disclosures: The disclosures in the financial statements are neutral, consistent and clear.

### **Significant unusual transactions**

There have been no significant transactions that are outside the normal course of business for the County or that otherwise appear to be unusual due to their timing, size or nature.

### **Significant difficulties encountered during the audit**

We encountered no significant difficulties in dealing with management and completing our audit.

### **Disagreements with management**

Professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the basic financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Audit report**

There have been no departures from the auditors' standard report.

### **Audit consultations outside the engagement team**

We encountered no difficult or contentious matters for which we consulted outside of the engagement team.

### **Uncorrected misstatements and corrected misstatements**

Professional standards require us to accumulate misstatements identified during the audit, other than those that are clearly trivial, and to communicate accumulated misstatements to management. The management representation letter summarizes the uncorrected misstatements, other than those that are clearly trivial, that we presented to management and that, in our judgment, may not have been detected except through our auditing procedures. In our judgment, neither the uncorrected misstatements nor the misstatements that management corrected, either individually or in the aggregate, indicate matters that could have had a significant effect on the County's financial reporting process.

Management has determined that the effects of the uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. The uncorrected misstatements or the matters underlying them could potentially cause future period financial statements to be materially misstated, even though, in our judgment, such uncorrected misstatements are immaterial to the basic financial statements under audit.

## **Other audit findings or issues**

We encountered no other audit findings or issues that require communication at this time.

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the County's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

## **Other information in documents containing audited basic financial statements**

*Official statements (or other equivalent document which we may not read unless engaged separately)*

The County's audited financial statements are "general purpose" financial statements. General purpose financial statements consist of the basic financial statements that can be used by a broad group of people for a broad range of activities. Once we have issued our audit report, we have no further obligation to update our report for events occurring subsequent to the date of our report. The County can use the audited financial statements in other client prepare documents, such as official statements related to the issuance of debt, without our acknowledgement. Unless we have been engaged to perform services in connection with any subsequent transaction requiring the inclusion of our audit report, as well as to issue an auditor's acknowledgment letter, we have neither read the document nor performed subsequent event procedures in order to determine whether or not our report remains appropriate.

## **Management's consultations with other accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing or accounting matters.

## **Written communications between management and Baker Tilly**

The Appendix includes copies of other material written communications, including a copy of the management representation letter.

## **Compliance with laws and regulations**

We did not identify any non-compliance with laws and regulations during our audit.

We will issue a separate document which contains the results of our audit procedures to comply with the Uniform Guidance.

## **Fraud**

We did not identify any known or suspected fraud during our audit.

## **Going concern**

Pursuant to professional standards, we are required to communicate to you, when applicable, certain matters relating to our evaluation of the County's ability to continue as a going concern for a reasonable period of time but no less than 12 months from the date the financial statements are issued or available to be issued, including the effects on the financial statements and the adequacy of the related disclosures, and the effects on the auditor's report. No such matters or conditions have come to our attention during our engagement.

## **Group audits**

The County's financial statements include information that was audited by other auditors as follows:

The County's financial statements include information that was audited by other auditors. In connection with our audit, we placed reliance on the audit of the financial statements of the DuPage Airport Authority, a discretely component unit of DuPage County, as of December 31, 2021 and for the year ended completed by Sikich LLP. All necessary conditions have been met to allow us to make reference to the component auditors.

In addition, if we had any concerns about the quality of work of the other auditors, if there were any limitations related to the group audit or if there was any fraud or suspected from involving group management, component management, employees who have significant roles in group-wide controls or others in which material misstatement of the group financial statements has or may have resulted from fraud we would be required to report those to you. We have not identified any circumstances that are required to be reported.

## **Independence**

We are not aware of any relationships between Baker Tilly and the County that, in our professional judgment, may reasonably be thought to bear on our independence.

## **Related parties**

We did not have any significant findings or issues arise during the audit in connection with the County's related parties.

## **Other matters**

We applied certain limited procedures to the required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the supplementary information which accompanies the financial statements but is not RSI. With respect to the supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the introductory or statistical information, which accompanies the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

## Nonattest services

The following nonattest services were provided by Baker Tilly:

- Financial statement preparation
- Adjusting and conversion journal entries
- Preparation of Part II of the Data Collection Form

None of these nonattest services constitute an audit under generally accepted auditing standards, including *Government Auditing Standards*.

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# Audit committee resources

Visit our resource page for regulatory updates, trending challenges and opportunities in your industry and other timely updates.

Visit the resource page at <https://www.bakertilly.com/insights/audit-committee-resource-page>.



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# Management representation letter



**DUPAGE  
COUNTY**

# FINANCE

630-407-6100

[www.dupageco.org/finance](http://www.dupageco.org/finance)

June 30, 2022

Baker Tilly US, LLP

1301 W. 22nd Street  
Suite 400  
Oak Brook, Illinois 60523

Dear Baker Tilly US, LLP:

We are providing this letter in connection with your audit of the financial statements of DuPage County, Illinois as of November 30, 2021 and for the year then ended for the purpose of expressing opinions as to whether the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of DuPage County, Illinois and the respective changes in financial position and cash flows, where applicable, in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining internal control over financial reporting, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit.

## **Financial Statements**

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter.
- 2) The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America. We have engaged you to advise us in fulfilling that responsibility. The financial statements include all properly classified funds of the primary government and all component units required by accounting principles generally accepted in the United States of America to be included in the financial reporting entity.

- 3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, if any, are reasonable.
- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of accounting principles generally accepted in the United States of America.
- 7) All events subsequent to the date of the financial statements and for which accounting principles generally accepted in the United States of America require adjustment or disclosure have been adjusted or disclosed. No other events, including instances of noncompliance, have occurred subsequent to the financial statement date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.
- 8) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 9) We believe the effects of the uncorrected financial statement misstatements listed here are immaterial, both individually and in the aggregate, to the basic financial statements as a whole. In addition, you have recommended adjusting journal entries, and we are in agreement with those adjustments.
  - a) Net pension liability was derived from IMRF's actuarial valuations that varied from schedules audited by the IMRF plan auditors. As a result, Governmental Activities total liabilities were overstated by \$8,096,543, ending net position was understated by \$8,096,543, expenses were overstated by \$6,073,011, and beginning net position was understated by \$2,023,533.
  - b) Beginning net position and expenses were understated in the Care Center Fund and Governmental Activities by \$204,950 related to improperly accruing for FY21 related expenses in FY20.
  - c) Liabilities and transfers out were understated in the Care Center Fund and assets and transfers in were understated in the Non-Major Funds by \$338,257 related to not reimbursing Non-Major Funds for FY21 for capital asset purchases until FY22.
- 10) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America.
- 11) Guarantees, whether written or oral, under which the County is contingently liable, if any, have been properly recorded or disclosed.

**Information Provided**

- 12) We have provided you with:
  - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as financial records and related data, documentation, and other matters.
  - b) Additional information that you have requested from us for the purpose of the audit.
  - c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
  - d) Minutes of the meetings of the County Board or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 13) We have disclosed to you results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 14) We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
  - a) Management,
  - b) Employees who have significant roles in internal control, or
  - c) Others where the fraud could have a material effect on the financial statements.
- 15) We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, regulators, or others.
- 16) We have no knowledge of known instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
- 17) There are no known related parties or related party relationships and transactions of which we are aware.

**Other**

- 18) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 19) We have a process to track the status of audit findings and recommendations.
- 20) We have identified to you any previous financial audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 21) We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for our report.
- 22) The County has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.

- 23) We are responsible for compliance with federal, state, and local laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits, debt contracts, and IRS arbitrage regulations; and we have identified and disclosed to you all federal, state, and local laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
- 24) There are no:
  - a) Violations or possible violations of budget ordinances, federal, state, and local laws or regulations (including those pertaining to adopting, approving and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, or for reporting on noncompliance, except those already disclosed in the financial statement, if any.
  - b) Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by accounting principles generally accepted in the United States of America.
  - c) Nonspendable, restricted, committed, or assigned fund balances that were not properly authorized and approved.
  - d) Rates being charged to customers other than the rates as authorized by the applicable authoritative body.
  - e) Violations of restrictions placed on revenues as a result of bond resolution covenants such as revenue distribution or debt service funding.
- 25) In regards to the nonattest services performed by you listed below, we have 1) accepted all management responsibility; 2) designated an individual with suitable skill, knowledge, or experience to oversee the services; 3) evaluated the adequacy and results of the services performed, and 4) accepted responsibility for the results of the services.
  - a) Financial statement preparation
  - b) Adjusting and conversion journal entries
  - c) Preparation of auditee sections of the data collection form

None of these nonattest services constitute an audit under generally accepted auditing standards, including *Government Auditing Standards*.
- 26) DuPage County, Illinois has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 27) DuPage County, Illinois has complied with all aspects of contractual agreements that would have a material effect on the financial statement in the event of noncompliance.
- 28) The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations, if any. Component units have been properly presented as either blended or discrete.
- 29) The financial statements properly classify all funds and activities.

- 30) All funds that meet the quantitative criteria in GASB Statement No. 34 and No. 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 31) Components of net position (net investment in capital assets; restricted; and unrestricted) and components of fund balance (nonspendable, restricted, committed, assigned and unassigned) are properly classified and, if applicable, approved.
- 32) DuPage County, Illinois has no derivative financial instruments such as contracts that could be assigned to someone else or net settled, interest rate swaps, collars or caps.
- 33) Provisions for uncollectible receivables, if any, have been properly identified and recorded.
- 34) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 35) Revenues are appropriately classified in the statement of activities within program revenues and general revenues.
- 36) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 37) Deposits and investments are properly classified, valued, and disclosed (including risk disclosures, collateralization agreements, valuation methods, and key inputs, as applicable).
- 38) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated/amortized. Any known impairments have been recorded and disclosed.
- 39) Tax-exempt bonds issued have retained their tax-exempt status.
- 40) We have appropriately disclosed DuPage County, Illinois' policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available and have determined that net position were properly recognized under the policy. We have also disclosed our policy regarding which resources (that is, restricted, committed, assigned or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available.
- 41) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- 42) With respect to the supplementary information, (SI):
  - a) We acknowledge our responsibility for presenting the SI in accordance with accounting principles generally accepted in the United States of America, and we believe the SI, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the SI have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
  - b) If the SI is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.

- 43) We assume responsibility for, and agree with, the findings of specialists in evaluating the total OPEB liability and have adequately considered the qualifications of the specialists in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had impact on the independence or objectivity of the specialists.
- 44) We assume responsibility for, and agree with, the information provided by the Illinois Municipal Retirement Fund as audited by Plante & Moran LLC relating to the net pension asset/liability and related deferred outflows and deferred inflows and have adequately considered the reasonableness of the amounts and disclosures used in the financial statements and underlying accounting records. We also assume responsibility for the census data that has been reported to the plan.
- 45) We have evaluated and considered all potential tax abatements and believe all material tax abatements have been properly reported and disclosed.
- 46) We have implemented GASB Statement No. 84, *Fiduciary Activities*, and believe that all activities that meet the criteria for presentation as fiduciary activities have been identified and presented as such. In addition, we believe that all required disclosures and other accounting considerations have been identified and properly classified in the financial statements in compliance with the Standard.
- 47) We are responsible for the estimation methods and assumptions used in measuring assets and liabilities reported or disclosed at fair value, including information obtained from brokers, pricing services or third parties. Our valuation methodologies have been consistently applied from period to period. The fair value measurements reported or disclosed represent our best estimate of fair value as the measurement date in accordance with the requirements of GASB 72 – *Fair Value Measurement*. In addition our disclosures related to fair value measurements are consistent with the objectives outlined in GASB 72. We have evaluated the fair value information provided to us by brokers, pricing services or other parties that has been used in the financial statements and believe this information to be reliable and consistent with the requirements.

Sincerely,

DuPage County, Illinois

Signed: \_\_\_\_\_



Nicholas Kottmeyer, Chief Administrative Officer

Signed: \_\_\_\_\_



Jeffrey Martynowicz, CFO

# Accounting changes relevant to DuPage County

## Future accounting standards update

GASB Statement Number	Description	Potentially Impacts you	Effective Date
87	Leases	✓	11/30/22
89	Accounting for Interest Incurred before the End of a Construction Period	✓	11/30/22
91	Conduit Debt	✓	11/30/23
92	Omnibus 2020	✓	11/30/22
93	Replacement of Interfund Bank Offered Rates	✓	11/30/22
94	Public-Private and Public-Public Partnerships and Availability Payment Arrangements	✓	11/30/23
96	Subscription-Based Information Technology Arrangements	✓	11/30/23
97	Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans	✓	11/30/22
99	Omnibus 2022 (excludes: requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53)	✓	11/30/23
99	Omnibus 2022 (requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53)	✓	11/30/24
100	Accounting Changes and Error Corrections, and Amendment of GASB Statement No. 62	✓	11/30/24
101	Compensated Absences	✓	11/30/25

Further information on upcoming [GASB pronouncements](#).



## Ready or not – the new lease standard is here!

GASB's new single model for lease accounting is effective for next year's audit (fiscal years ending June 30, 2022 and later). This standard requires governments to identify and evaluate contracts that convey control of the right to use another entity's nonfinancial asset for a period of time in an exchange or exchange-like transaction. Contracts meeting the criteria for control, term and other items within the standard will result in recognizing a right to use asset and lease liability or a receivable and deferred inflow of resources. The standard specifies that leases should be recognized and measured using the facts and circumstances that exist at the beginning of the period of implementation.

The implementation process can be broken down into a four-step methodology:



Now is the time to evaluate where your government is in this process and the timeline to complete implementation. The third step for lease evaluation, data extraction and review is typically the most time-consuming step; organizations should begin this process well before year end to ensure adequate lead time. A key decision that will need to be made is whether a lease administration software package is necessary. Depending on the volume and complexity of your lease activity, spreadsheets may not be sufficient to track and calculate all the required information.

We are available to discuss this further and help you develop an action plan. Baker Tilly also has complimentary resources available online including:

- GASB 87 lease identification questionnaire
- GASB 87 lease assistance tool
- Variety of GASB 87 podcasts and articles

Access tools and learn more about [GASB 87](#).

## Preparing for the new conduit debt reporting

Conduit debt includes arrangements where there are three separate parties involved including a third party that is obligated for payment, a debt holder or lender and an issuing party which is often a government. This standard provides additional criteria for identifying and classifying conduit debt with the intent of providing consistency in how the debt is recorded and reported in governmental financial statements. The County should identify any existing debt arrangements involving third-party obligors and evaluate how those arrangements will be reported under the new standard in order to determine the potential impact of this standard on future financial reporting.

## **Determining if GASB 94 applies for your organization**

GASB 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* provides guidance related to public-private and public-public partnerships (PPP) and availability payment arrangements (APA).

A PPP is an arrangement in which an entity contracts with an operator to provide public services by conveying control of the right to operate or use infrastructure or other capital asset. A common example of PPP is a service concession arrangement.

An APA is an arrangement in which an entity compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an asset.

The County should start to identify any contracts that could meet either definition to ensure they are reviewed for applicability and accounted for correctly when the standard is effective. Initial steps include reviewing contracts that didn't meet the definition of a lease under GASB 87 and identifying any other agreements where the organization contracts with or partners with another entity to provide services.

## **Future accounting for subscription-based IT arrangements**

Subscription-based IT arrangements include contracts that convey control of the right to use another party's IT software. It would not include any licensing arrangements that provide a perpetual license, which would still be accounted for as an intangible asset. Subscription-based IT arrangements are becoming more and more popular with IT vendors. This standard mirrors the new lease standard. The County will be able to utilize the systems put into place to implement the lease standard to properly account for these contracts. Common examples of these contracts in the utility industry include:

- Leasing space in the cloud
- GIS systems
- SCADA systems
- Some work order or inventory systems as well as some general ledger or billing systems

The County should work with its IT department and department managers to determine a population listing of contracts that would fall under this standard to determine the potential future impact to financial reporting.