

LINCOLNWOOD
SCHOOL DISTRICT 74

MANAGEMENT LETTER

FOR THE FISCAL YEAR ENDED
JUNE 30, 2021



October 28, 2021

Members of the Board of Education
Lincolnwood School District 74
Lincolnwood, Illinois

In planning and performing our audit of the financial statements of the Lincolnwood School District 74 (the District), Illinois, for the year ended June 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 field work progressed.

The accompanying comments and recommendations are intended solely for the information and use of the Board of Education, finance committee, and senior management of the Lincolnwood School District 74, 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 District 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 District 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 relieve to governments and other stakeholders in light of the COVID-19 pandemic, GASB Statement No. 87, *Leases* is applicable to the District's financial statements for the year ended June 30, 2022.

Recommendation

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

Management Response

Management acknowledges this comment and will work to implement it by June 30, 2022, as required by GASB.

PRIOR RECOMMENDATIONS

1. GASB STATEMENT NO. 84 FIDUCIARY ACTIVITIES

Comment

In January 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 84, *Fiduciary Activities*, which provides guidance regarding the identification of fiduciary activities, with criteria related to the control of the assets of the fiduciary activity and the relationship with the beneficiaries of the activity. Qualifying fiduciary activities are then required to be reported in four fiduciary fund types: 1) pension (and other employee benefit) trust funds, 2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. The custodial funds category will be the focus for School Districts, as this category replaces the current agency fund reporting category with more defined criteria. In applying these new criteria, it is likely that the student activity funds for School Districts will not meet the criteria to be reported as a custodial fund under GASB Statement No. 84, and will instead need to be incorporated in to the School District's operating funds. GASB Statement No. 84 is applicable to the District's financial statements for the year ended June 30, 2021.

Recommendation

Lauterbach & Amen, LLP will work directly with the District to review the new custodial fund criteria in conjunction with the District's current student activity funds to determine the appropriate financial reporting for these activities under GASB Statement No. 84.

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 over budget for the previous fiscal year and current fiscal year:

Fund	6/30/20	6/30/2021
Transportation	\$ —	206,270
Municipal Retirement/Social Security	54,646	—
Debt Service	—	174,500
Fire Prevention and Life Safety	—	662,490

Recommendation

We recommended the District 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

Management acknowledges this comment and will work to correct it in the coming year.