

CITY OF WHEATON, ILLINOIS

MANAGEMENT LETTER

**FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2021**



June 6, 2022

The Honorable Mayor
Members of the City Council
City of Wheaton, Illinois

In planning and performing our audit of the financial statements of the City of Wheaton (the City), Illinois, for the year ended December 31, 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 Members of the City Council, management, and others within the City of Wheaton, 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 City 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 City staff.

Lauterbach & Amen, LLP
LAUTERBACH & AMEN, LLP

CURRENT 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 City's financial statements for the year ended December 31, 2022.

Recommendation

Lauterbach & Amen, LLP will work directly with the City to review the new lease criteria in conjunction with the City'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 with Lauterbach and Amen, LLP to implement it by December 31, 2022, as required by GASB.

PRIOR RECOMMENDATION

1. **RECORDING OF UTILITY INFRASTRUCTURE RETIREMENTS**

Comment

Previously and during our current and prior year-end audit procedures, we noted that the Water Fund and Sanitary Sewer Fund do not record retirements of infrastructure as these items are replaced. This can result in the carrying value of capital assets and the related accumulated depreciation becoming overstated.

Recommendation

We recommended that management evaluate the value of their current system as they have added assets, but have not had disposals. The impact is not considered to be material as most of the assets that should have been disposed of are likely fully depreciated.

Status

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

Management Response

This comment was only a recommendation by the auditors and was not an internal control deficiency. During the year, the Finance Department initiated discussions with the Public Works and Information Technology Departments on the software they use to maintain information on water mains, sanitary sewers and storm sewers. A detailed history and inventory of infrastructure assets has not been readily available in a format needed for the Finance Department to effectively account for the disposition of these assets. Once the analysis and review is completed, the Finance Department will look to develop procedures to account for these transactions.