

# Reporting and insights from 2020 audit:

## Illinois Police Officers' Pension Investment Fund

June 30, 2020

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# Executive summary

We have completed our audit of the financial statements of the Illinois Police Officers' Pension Investment Fund's (the Fund's) for the period ended June 30, 2020, and have issued our report thereon dated December 14, 2020. 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 Fund'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.

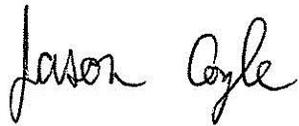
Additionally, we have included information on key risk areas the Fund should be aware of in your strategic planning. We are available to discuss these risks as they relate to your organization's financial stability and future planning.

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

- Jason Coyle, Partner: [jason.coyle@bakertilly.com](mailto:jason.coyle@bakertilly.com) or +1 (630) 645 6205
- Michael Malatt, Senior Manager: [michael.malatt@bakertilly.com](mailto:michael.malatt@bakertilly.com) or +1 (630) 645 6226

Sincerely,

Baker Tilly US, LLP

A handwritten signature in black ink that reads "Jason Coyle". The signature is written in a cursive, flowing style.

Jason Coyle, CPA, Partner

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THIS COMMUNICATION IS INTENDED SOLELY FOR THE INFORMATION AND USE OF THOSE CHARGED WITH GOVERNANCE, AND, IF APPROPRIATE, MANAGEMENT, AND IS NOT INTENDED TO BE AND SHOULD NOT BE USED BY ANYONE OTHER THAN THESE SPECIFIED PARTIES.

# Audit objectives



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# Audit objectives

## 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 Fund'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 the Transition Board of Trustees:
  - 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

We are also required to communicate significant matters related to our audit that are relevant to the responsibilities of the Transition Board of Trustees, including:

- Qualitative aspects of the Fund's accounting practice including policies, accounting estimates and financial statement disclosures
- Significant difficulties encountered
- Disagreements with management
- Corrected and uncorrected misstatements
- Internal control matters
- Significant estimates
- Other findings or issues arising from the audit

## Management's responsibilities

Management	Auditor
 Prepare and fairly present the financial statements	Our audit does not relieve management or the Transition Board of their responsibilities
 Establish and maintain effective internal control over financial reporting	An audit includes consideration of internal control over financial reporting, but not an expression of an opinion on those controls
 Provide us with written representations at the conclusion of the audit	See Appendix A for a copy of management's representations

# Audit status



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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.

## Audit approach and results



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# Audit approach and results

## Planned scope and timing

### Audit focus

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

- Key transaction cycles
- Areas with significant estimates

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 Fund'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

### Other key 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 key areas of emphasis		
Cash and investments	Revenues and receivables	General disbursements
Payroll	Long-term debt	Net position calculations
Financial reporting and required disclosures		

## Internal control matters

We considered the Fund's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements. We are not expressing an opinion on the effectiveness of the Fund'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 and, therefore, material weaknesses 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.

# 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 Fund are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing accounting policies was not changed during fiscal period 2020. We noted no transactions entered into by the Fund 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 Fund's financial statements included no significant estimates for the period ended June 30, 2020.
- 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 Fund or that otherwise appear to be unusual due to their timing, size or nature.

## Other information in documents containing audited financial statements

### *Official Statements (or Other Equivalent Document)*

The Fund'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 Fund 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.

## 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 financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

## **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.

## **Uncorrected misstatements and corrected misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no misstatements identified.

## **Compliance with laws and regulations**

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

## **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 Fund'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.

## **Independence**

We are not aware of any relationships between Baker Tilly and the Fund 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 Fund's related parties.

## **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 Fund'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 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 other 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 journal entries, if needed

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

An aerial photograph of a winding asphalt road with white dashed lane markings, curving through a dense green forest. In the upper right, a rocky stream flows through a grassy clearing. The overall scene is lush and natural.

# Accounting changes relevant to the Fund

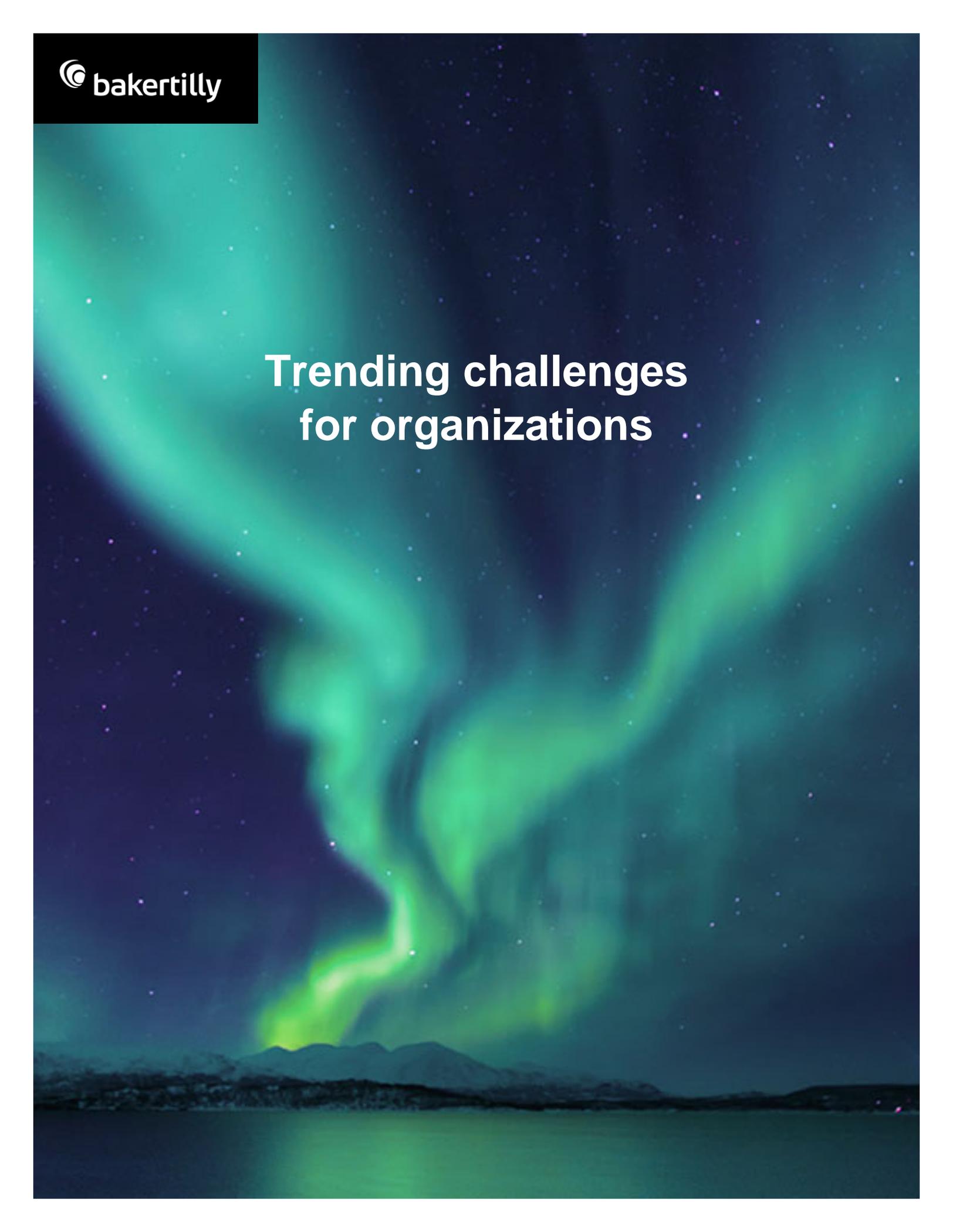
# Accounting changes relevant to the Fund

## Future accounting standards updates

GASB Statement Number	Description	Potentially Impacts you	Effective Date
87	Leases	✓	6/30/22*
89	Accounting for Interest Incurred before the End of a Construction Period		6/30/22*
90	Majority Equity Interest Incurred before the End of a Construction Period		6/30/21*
91	Conduit Debt		6/30/23*
92	Omnibus 2020	✓	6/30/22*
93	Replacement of Interfund Bank Offered Rates	✓	6/30/22*
94	Public-Private and Public-Public Partnerships and Availability Payment Arrangements		6/30/23
96	Subscription-Based Information Technology Arrangements	✓	6/30/23
97	Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an Amendment of GASB Statements No. 14 and No. 84 and a Supersession of GASB Statement No. 32	✓	6/30/22

\* These statements had their required effective dates postponed by one year with the issuance of Statement No. 95, *Postponement of Effective Dates of Certain Authoritative Guidance*, with the exception of Statement No. 87, which was postponed by one and a half years. The effective date reflected above is the required revised implementation date.

Further information on upcoming [GASB pronouncements](#)

A photograph of the Aurora Borealis (Northern Lights) in shades of green and teal, dancing across a dark, starry night sky. The lights are reflected in a calm body of water in the foreground, with dark mountain ranges visible on the horizon.

# Trending challenges for organizations

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# Trending challenges for organizations

Management and the governing body of the Fund must keep the future in mind as they evaluate strategies to achieve future growth. Keeping a balance between risk and sustainability is key, and organizations need to think beyond their immediate needs to their long term goals. Economic uncertainty, coupled with key risk areas and fast paced technology change, make strategic planning complex. Begin the discussion with your management team to find your path to your future.

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## COVID-19 Risks and ongoing response

Staying nimble and resilient during unprecedented disruption

COVID-19 has challenged all organizations and the effects continue to unfold. It is critical that management and boards stay nimble to respond to direct and indirect effects of this disruption on operations, cash flow, and people. Learn about [Coronavirus resources](#), including the latest news on business continuity and cash flow management, Federal stimulus and tax developments, and more.

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## 2020 strategic risks for boards



### Evaluating and mitigating the greatest risks

Public sector organizations face a multitude of internal and external risks in an evolving landscape. Risks can stem from strategy, finances, legal situations, operations, regulatory compliance, information technology, economic environment, and/or fraud, waste and abuse.

By employing a risk assessment, areas with the greatest needs and highest risks are evaluated. Then a risk mitigation plan can be developed and deployed.

Learn about [risk assessment](#) types, tools and strategies.

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# Cybersecurity

## Operational reporting on cybersecurity effectiveness

As boards engage management in cybersecurity risk discussions, directors should expect management to produce reports on the effectiveness of the organization's cybersecurity-risk management program. Management can (and should) collect and analyze relevant performance measures and metrics to determine if cybersecurity safeguards and controls are operating as intended, and whether any corrective action should be taken to strengthen management's risk-mitigation approaches. While not an exhaustive list, some key processes on which management should report include these:

- Incident management
- Risk management and governance
- Independent assurance on the cybersecurity program

[Learn more](#) about cybersecurity risk management.



[WATCH: On demand webinar about board governance over cybersecurity.](#)

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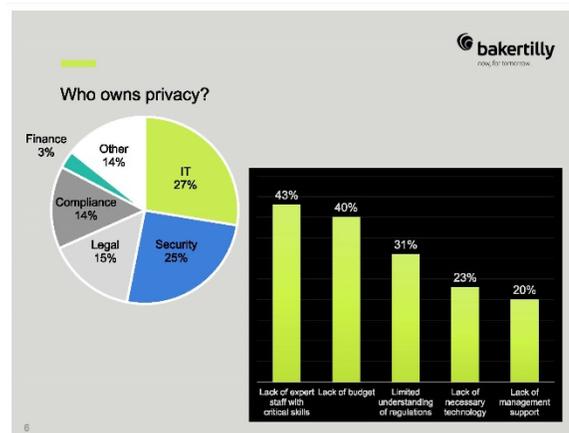
# Data privacy

## Elevating privacy risks to the forefront of board agendas

Organizations around the world are still scrambling to comply with the General Data Protection Regulation in the European Union, which went into effect in May 2018. While the data privacy regulatory environment changes rapidly, organizations can take proactive steps to ensure that they stay informed of the existing regulations and of those developing on the near horizon.

Adequate oversight remains a key part of staying on top of data privacy developments. Some regulations specify oversight requirements, and can depend on the type of the organization, the quantity and type of personal data processed, and the locations where operations take place. In many cases, a data protection officer (DPO) must lead the effort. Since the DPO is responsible for overseeing practices related to data protection strategy and implementation, having one in place early on will help ensure that the privacy program is comprehensive and consistent.

Learn more about [data privacy risk management](#).



[WATCH: On demand webinar about a risk-based approach to oversight, compliance and management of privacy](#)

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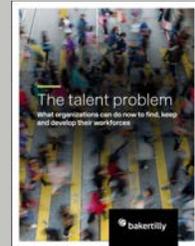
## The talent problem

### Establishing a lifeline for your shifting workforce

Employee recruitment and retention challenges are an all too common struggle in the public sector:

- Aging workers with institutional knowledge retire
- High demand for small qualified candidate pool
- Perception of geographic disadvantages
- Wage/benefit competition with private sector
- Lean operations exclude investments in recruitment, on-the-job training and technology
- Unclear growth and career advancement tracks

Sustainable organizations must have a robust workforce development and succession planning program. Learn how to get started and incorporate a workforce/succession planning program with existing operational practices.



[Download](#)

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# Innovation

## Anticipating disruptive innovation and digital transformation

To stay competitive and relevant in a rapidly changing business landscape, organizations in every industry must navigate an increasingly disruptive, technology-enabled environment. Companies that do not address and embrace new and emerging technologies will be less competitive or may even face obsolescence.

Given these challenges to companies, what does innovation mean in this era of digital transformation? Innovation now involves finding the right problems worth solving; building new offerings, business models, and experiences; and generating value at scale for customers.

Furthermore, the rapid digital transformation of advanced technologies such as blockchain, robotic process automation (RPA), and artificial intelligence (AI) now portend similar effects in industries from financial services and healthcare to communications and manufacturing. Boards must become

knowledgeable about these digital disruption trends in order to be able to conduct meaningful oversight that management can use successfully as the company embraces new technologies.

### Anticipating Disruptive Innovation and Digital Transformation

To stay competitive and relevant in a rapidly changing business landscape, organizations in every industry must navigate an increasingly disruptive, technology-enabled environment.

[Read the blog post.](#)

Learn more about [innovation opportunities](#).

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# Public sector executive recruitment

## Navigating recruitments and smart hiring

Competing for top executive talent in the public sector space takes industry knowledge, familiarity with the general applicant pool and experience navigating recruitments. Search consultants draw upon their understanding of organizational management and human resources to serve as a successful agent for government entities. In turn, public sector organizations can adopt a foundational understanding about search firms to ensure optimal collaboration on hiring opportunities.

[Read the three part series](#) to learn what your entity should be thinking about and how Baker Tilly can help.

### Three part series on public sector executive recruitment

Navigate the changing workforce landscape with confidence, read the executive recruitment series.

1. [Five myths about search firms](#)
2. [Recruiting for difficult positions](#)
3. [Hiring recommendations for government entities](#)

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## Customer experience

### Finding your edge in a competitive market

All industries are facing an increasingly competitive marketplace due to more connected consumers, partners and vendors. Where a company may have had a geographic advantage in the past, they now need to be able to compete against non-local organizations.

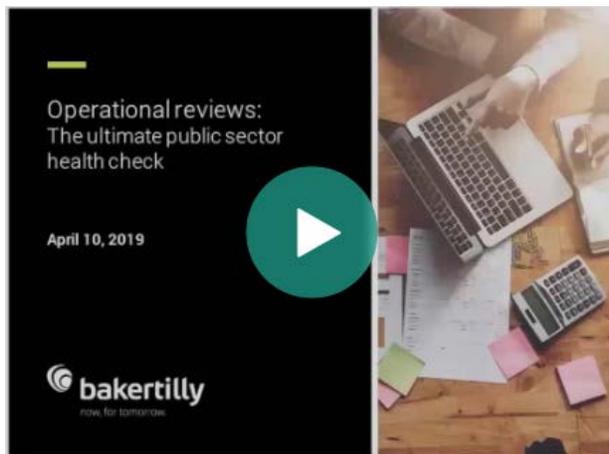
One of the key factors in maintaining your place in the market is ensuring a positive, fast and easy customer experience. Whether this means enhancing your customer support services through online chat bots or developing a mobile app to allow your customer access to their information around the clock, your organization needs to take your customer experience strategy seriously. Management and board members should understand where your experience is currently and what strategies you are evaluating to enhance it.

Learn more about [why your customer experience is so important](#).

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## Operational and organizational sustainability

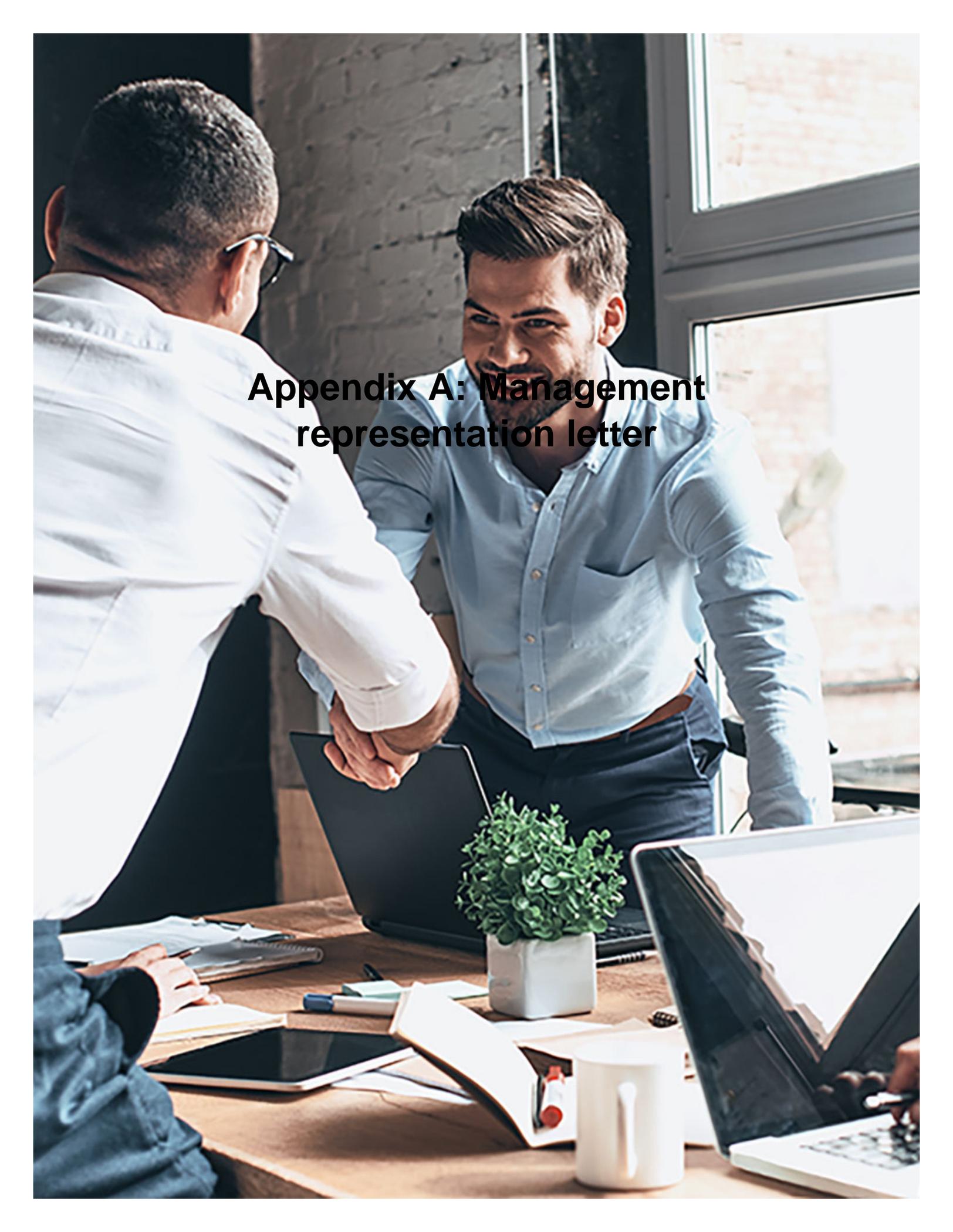
### Aligning resources with strategy



As new demands confront the public sector industry, it's easy to solve an immediate problem instead of pausing to take a holistic view. Rippling inefficiencies, increasing financial pressures, taxing staff resources and plummeting constituent satisfaction can pile atop organizations already facing pressure to improve efficiency, effectiveness, relevance and financial viability.

An operational review follows a systematic, strategic approach to understanding an entity's operations and performance. Opportunities to improve processes, bolster internal controls and reduce costs are uncovered in order to realign organizational resources and strategic objectives.

Learn invaluable methods for [executing an operational review](#) while maintaining day-to-day operations.

A photograph of two men in a professional office environment. The man on the left, seen from the back, is wearing a white shirt and glasses. The man on the right, wearing a light blue shirt, is smiling and shaking hands with the first man. They are standing at a wooden desk with a laptop, a tablet, a white mug, and a small potted plant. A window with a view of a brick building is in the background.

**Appendix A: Management  
representation letter**

IPOPIF

**TRANSITION  
BOARD MEMBERS****Shawn Curry**

Participant Representative  
Peoria, IL

**Andrea DiGiacinto**

Participant Representative  
Libertyville, IL

**Brian Prochaska**

Participant Representative  
Joliet, IL

**Daniel Hopkins**

Beneficiary Representative  
Collinsville, IL

**Mark Poulos**

Beneficiary Representative  
Rock Island, IL

**Elizabeth Holleb**

Municipal Representative  
Lake Forest, IL

**Michael Inman**

Municipal Representative  
Macomb, IL

**Phil Suess**

Municipal Representative  
Wheaton, IL

**Brad Cole**

Illinois Municipal League  
Representative  
Carbondale, IL

December 14, 2020

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 the Illinois Police Officers' Pension Investment Fund as of June 30, 2020 and for the period then ended for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position of the Illinois Police Officers' Pension Investment Fund and the respective changes in financial position 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 required by accounting principles generally accepted in the United States of America to be included in the financial reporting entity.

Baker Tilly US, LLP  
December 14, 2020  
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- 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) 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.
- 7) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 8) There are no known or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements. There are no unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with accounting principles generally accepted in the United States of America.
- 9) Guarantees, whether written or oral, under which the Fund is contingently liable, if any, have been properly recorded or disclosed.

#### Information Provided

- 10) 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 Police Officers' Pension Investment Board or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 11) We have not completed an assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Baker Tilly US, LLP  
December 14, 2020  
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- 12) 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.
- 13) 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.
- 14) 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.
- 15) There are no known related parties or related party relationships and transactions of which we are aware.

#### Other

- 16) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 17) 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.
- 18) The Fund has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
- 19) We are responsible for compliance with federal, state, and local laws, regulations, and provisions of contracts 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.
- 20) 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.

Baker Tilly US, LLP  
December 14, 2020  
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- 21) 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 journal entries, if needed
- None of these nonattest services constitute an audit under generally accepted auditing standards, including *Government Auditing Standards*.
- 22) The Illinois Police Officers' Pension Investment Fund 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.
- 23) The Illinois Police Officers' Pension Investment Fund has complied with all aspects of contractual agreements that would have a material effect on the financial statement in the event of noncompliance.
- 24) The financial statements properly classify all funds and activities.
- 25) Components of net position (net investment in capital assets; restricted; and unrestricted) are properly classified and, if applicable, approved.
- 26) The Illinois Police Officers' Pension Investment Fund has no derivative financial instruments such as contracts that could be assigned to someone else or net settled, interest rate swaps, collars or caps.
- 27) 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.
- 28) Additions are appropriately classified in the statement of changes in fiduciary net position within program revenues and general revenues.
- 29) Deposits and investments are properly classified, valued, and disclosed (including risk disclosures, collateralization agreements, valuation methods, and key inputs, as applicable).
- 30) 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.

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Baker Tilly US, LLP  
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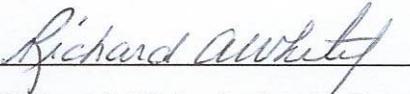
31) With respect to the supplementary information, (SI):

- 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.

Sincerely,

Illinois Police Officers' Pension Investment Fund

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



Mr. Richard A. White, Jr., Interim Executive Director

A close-up photograph of a person's hands and arms at a wooden table. The person is wearing a light blue long-sleeved shirt and a black watch with a white face and a brown leather strap. They are holding a black pen over an open document. In the background, another person's hands are visible, gesturing during a conversation. The scene is set in a meeting or office environment.

**Appendix B: Two-way communication  
regarding your audit**

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# Two-way communication regarding your audit

As part of our audit of your financial statements, we are providing communications to you throughout the audit process. Auditing requirements provide for two-way communication and are important in assisting the auditor and you with more information relevant to the audit.

As this past audit is concluded, we use what we have learned to begin the planning process for next year's audit. It is important that you understand the following points about the scope and timing of our next audit:

- a. We address the significant risks of material misstatement, whether due to fraud or error, through our detailed audit procedures.
- b. We will obtain an understanding of the five components of internal control sufficient to assess the risk of material misstatement of the financial statements whether due to error or fraud, and to design the nature, timing, and extent of further audit procedures. We will obtain a sufficient understanding by performing risk assessment procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented. We will use such knowledge to:
  - Identify types of potential misstatements.
  - Consider factors that affect the risks of material misstatement.
  - Design tests of controls, when applicable, and substantive procedures.
- c. We will not express an opinion on the effectiveness of internal control over financial reporting or compliance with laws, regulations, and provisions of contracts or grant programs.
- d. The concept of materiality recognizes that some matters, either individually or in the aggregate, are important for fair presentation of financial statements in conformity with generally accepted accounting principles while other matters are not important. In performing the audit, we are concerned with matters that, either individually or in the aggregate, could be material to the financial statements. Our responsibility is to plan and perform the audit to obtain reasonable assurance that material misstatements, whether caused by errors or fraud, are detected.

Our audit will be performed in accordance with auditing standards generally accepted in the United States of America.

We are very interested in your views regarding certain matters. Those matters are listed here:

- a. We typically will communicate with your top level of management unless you tell us otherwise.
- b. We understand that the governing board has the responsibility to oversee the strategic direction of your organization, as well as the overall accountability of the entity. Management has the responsibility for achieving the objectives of the entity.
- c. We need to know your views about your organization's objectives and strategies, and the related business risks that may result in material misstatements.
- d. We anticipate that the Fund will receive an unmodified opinion.

- e. Which matters do you consider warrant particular attention during the audit, and are there any areas where you request additional procedures to be undertaken?
- f. Have you had any significant communications with regulators or grantor agencies?
- g. Are there other matters that you believe are relevant to the audit of the financial statements?

Also, is there anything that we need to know about the attitudes, awareness, and actions of the governing body concerning:

- a. The entity's internal control and its importance in the entity, including how those charged with governance oversee the effectiveness of internal control?
- b. The detection or the possibility of fraud?

We also need to know if you have taken actions in response to developments in financial reporting, laws, accounting standards, governance practices, or other related matters, or in response to previous communications with us.

With regard to the timing of our audit, here is some general information. If necessary, we may do preliminary financial audit work during the months of May or June. Our final financial fieldwork is scheduled during the fall to best coincide with your readiness and report deadlines. After fieldwork, we wrap up our financial audit procedures at our office and may issue drafts of our report for your review. Final copies of our report and other communications are issued after approval by your staff. This is typically 4-8 weeks after final fieldwork, but may vary depending on a number of factors.

Keep in mind that while this communication may assist us with planning the scope and timing of the audit, it does not change the auditor's sole responsibility to determine the overall audit strategy and the audit plan, including the nature, timing, and extent of procedures necessary to obtain sufficient appropriate audit evidence.

We realize that you may have questions on what this all means, or wish to provide other feedback. We welcome the opportunity to hear from you.