

2026 audit planning:

Palos Heights School District 128

June 30, 2026

Executive summary

May 18, 2026

To the Board of Education of
Palos Heights School District 128
12809 S McVicker Ave
Palos Heights, Illinois 60463

We are pleased to discuss Palos Heights School District 128 (“the District”) our initial plan for your June 30, 2026 audit. This document includes information for discussion on:

- Communication with predecessor auditors
- Audit approach
- Significant risks and other areas of emphasis
- Other required communications
- Audit timetable
- Audit committee resources

Your audit should provide you with confidence in your basic financial statements. The audit is performed based on information obtained from meetings with management, data from your systems, knowledge of the District’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.

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

- Jason Coyle CPA, Principal: jason.coyle@bakertilly.com or +1 (630) 645 6205

Sincerely,

Baker Tilly US, LLP

Jason Coyle CPA , Principal

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.

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Communication with predecessor auditor

- As part of procedures to be conducted in a first year audit, we will complete a review of the 2025 audit workpapers with the District's predecessor auditor.

Audit approach

We will perform the financial statement audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and *Government Auditing Standards* in order to obtain reasonable, rather than absolute, assurance that the District's basic financial statements are prepared in accordance with accounting principles generally accepted in the United States of America and are free from material misstatement, whether due to fraud or error.

In planning and performing our audit, we will consider the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. We will also consider internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance.

As part of obtaining reasonable assurance about whether the District's basic financial statements are free of material misstatement, we will perform tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a material effect on the determination of basic financial statement amounts. However, providing an opinion on compliance with those provisions is not an objective of our audit. Also in accordance with the Uniform Guidance, we will examine, on a test basis, evidence about the District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement applicable to each of its major federal programs for the purpose of expressing an opinion on the District's compliance with those requirements. While our audit will provide a reasonable basis for our opinion, it will not provide a legal determination on the District's compliance with those provisions.

We will communicate significant matters related to the financial statement audit that are, in our professional judgment, relevant to your responsibilities as the Board of Education, in overseeing the financial reporting process.

Our financial statement audit for 2026 represents an approach responsive to our risk assessments and the specific needs of the District. We design our audit and other procedures for the following:

- Express an opinion on the basic financial statements of Palos Heights School District 128.
- Report on internal control over financial reporting and on compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts in accordance with *Government Auditing Standards*.
- Report on internal control over compliance related to major federal programs and an opinion on compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs that could have a direct and material effect on each major program in accordance with the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200 (CFR) Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

- Issue a management letter to management and the Board of Education.
- Prepare and present an audit results report to management and the Board of Education.

Our audit does not relieve management of its responsibilities with regard to the basic financial statements.

Our audit includes consideration of internal controls over financial reporting as a basis for designing our audit procedures, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal controls over financial reporting.

Significant risks

A significant risk is an identified and assessed risk of material misstatement that, in the auditor’s professional judgment, requires special audit consideration. We have identified the following as significant risks:

- Management override of controls
- Improper revenue recognition due to fraud

Other areas of emphasis

We will also focus on other areas that do not meet the definition of a significant risk, but are determined to require specific awareness and a unique audit response. We have identified the following as areas of emphasis:

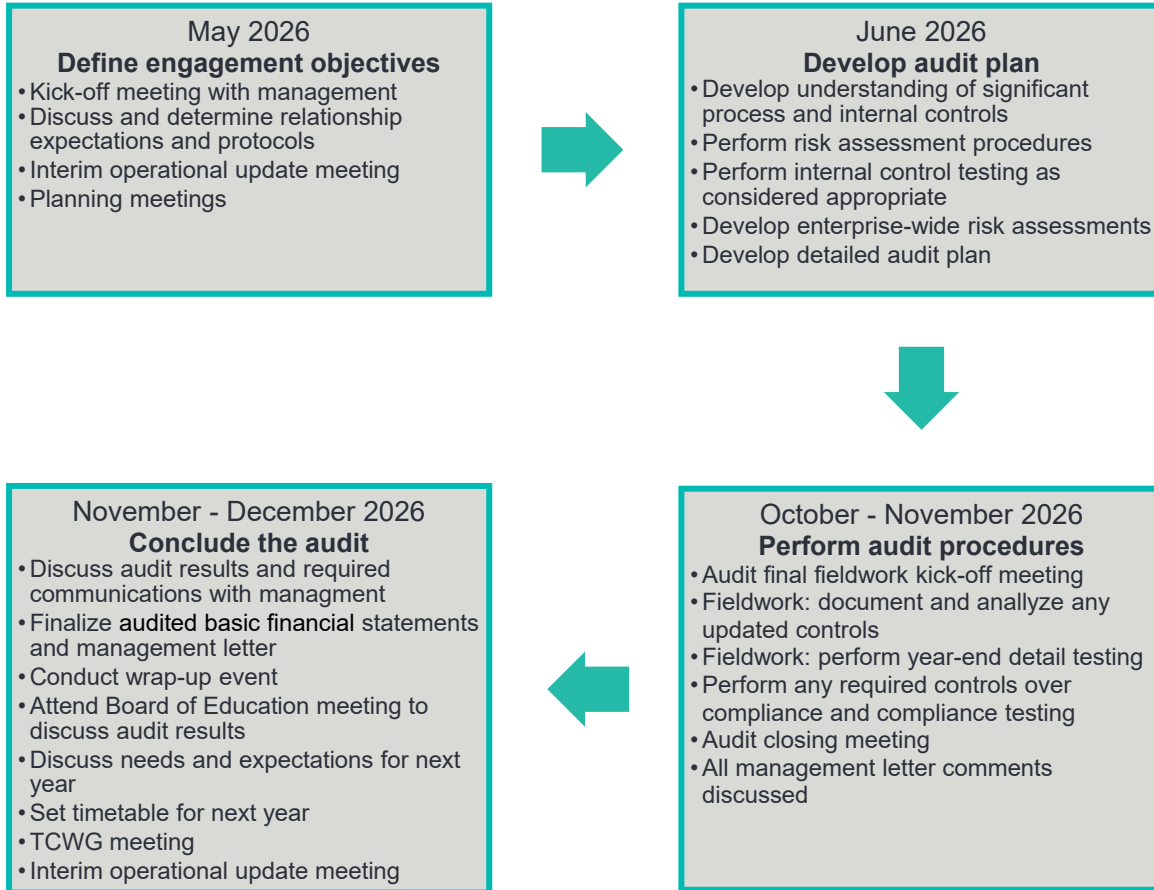
Other areas of emphasis		
Cash and investments	Cash receipts	Cash disbursements
Payroll	Pension and OPEB liabilities	Long-term debt
Capital assets	Fund balance/net position calculations	Financial reporting and required disclosures

Other required communications

- We did not discuss any significant issues with management in connection with our engagement as auditors regarding the application of accounting principles and auditing standards.
- We are not aware of any circumstances or relationships that may reasonably be thought to bear on our independence.

Audit timetable

Following is the planned timing and detailed list of the activities during each stage for our planning discussion.



On June 3, 2025, Baker Tilly and Moss Adams consummated a combination that redefines advisory and accounting services for our clients. The merger, which created the sixth-largest advisory CPA firm in the United States, brings deeper industry specialization, broader geographic reach and expanded capabilities to the District. Our unified firm operates under the Baker Tilly name, forming a leading firm positioned to help the middle-market navigate an increasingly complex environment. Our combination multiplies the value we can deliver through a shared people-first culture, client-centric service model and steadfast commitment to quality. A fixture on the West Coast, Moss Adams adds a significant presence to Baker Tilly in Washington, California, Arizona, Colorado and New Mexico, as well as in Texas.

Audit committee resources

Our business is to know every aspect of yours and to maintain a constant lookout for what's next. We invite you to learn about some of the trending challenges and opportunities for public sector organizations like yours and how Baker Tilly can help.

To explore more trending topics and regulatory updates, visit our resource page at <https://www.bakertilly.com/insights/audit-committee-resource-page>.



Funding evaluation and pursuit

Public sector organizations may be eligible for grants, tax credits and other financial incentives through funding opportunities such as the Inflation Reduction Act, the Clean Communities Investment Accelerator, and the Infrastructure Investment and Jobs Act.

Baker Tilly can help you navigate, understand and pursue various federal and state funding sources through grant research and tracking, advising and writing, and management and compliance services.



Digital transformation

Digitizing public services can be a game changer for governments. Streamlining inefficient processes, providing digital access and delivery of services to meet public expectations, implementing technology to protect constituent data, leveraging information to make data-driven decisions and migrating outdated on-premises systems to the cloud are crucial to an entity's success.

Through these types of digital services, Baker Tilly can help you scale with future demand and be better positioned to rapidly respond to changing demands.



Cybersecurity

Public sector organizations face significant challenges from cyber threats and IT regulations. It can feel like you are on the defense keeping up with the latest risks, regulations and emerging trends. To mitigate risk, you must understand your organization's unique vulnerabilities, cybersecurity processes and controls.

Baker Tilly can help enhance your cybersecurity posture and ensure compliance, with solutions in IT compliance and security and cybersecurity and data protection to safeguard your data and navigate complex risk environments.



Capital project oversight

Public sector capital projects face increasing pressure from cost escalation, supply chain disruption, regulatory complexity and heightened scrutiny around transparency and accountability. Strong planning, governance and controls are critical across the full project life cycle, from feasibility and funding strategy through execution and closeout.

Independent oversight helps chart a clear course from planning to delivery. Our teams work alongside leadership to strengthen governance, establish financial and contractual controls, align funding with project goals and monitor performance throughout execution, helping projects stay on schedule, within budget and aligned with community priorities.



Succession planning

An aging workforce, rising retirement rates and competition for specialized talent make succession planning a fiscal and operational a priority for public sector organizations.

By identifying critical roles, assessing workforce risk, building internal talent pipelines and integrating succession planning with broader workforce strategies, Baker Tilly helps organizations preserve institutional knowledge and maintain continuity, today and into the future.



Economic development

Successful economic development depends on disciplined planning, sound financial analysis and coordinated execution. Public sector leaders must balance incentives, infrastructure investment, funding opportunities and stakeholder priorities while maintaining fiscal responsibility.

Baker Tilly's supports local governments with strategic and financial planning, incentive structuring and negotiation, tax increment financing administration, project financing, grant strategy and economic and fiscal impact analysis. This integrated approach helps leaders move from vision to action, strengthening communities and advancing sustainable, long-term growth.