

The City of Lake Forest
AUDIT COMMITTEE
Proceedings of the October 18, 2018 Meeting
5:15 p.m. – City Hall, 220 E. Deerpath
City Hall Conference Room

Minutes

I. Call to Order and Roll Call

Chairman Sparrow called the meeting to order at 5:15 p.m. Audit Committee Members present: Magnuson, Smith, Stieber and Mayor Lansing. Absent: Mr. McFadden and Finance Chairman Morris. Quorum present.

City staff present: Robert Kiely Jr., City Manager; Elizabeth Holleb, Finance Director; Diane Hall, Assistant Finance Director

Others present: Joe Lightcap of Baker Tilly

II. Consent Agenda

Approval of minutes from Audit Committee held on July 19, 2018

Mr. Smith made a motion to approve the July 19, 2018 minutes. The motion was seconded by Mr. Magnuson. The motion carried unanimously by voice vote.

III. Review Draft of Comprehensive Annual Financial Report for the Fiscal Year Ended April 30, 2018

Ms. Elizabeth Holleb, Finance Director reviewed a summary of highlighted areas in the Comprehensive Annual Financial Report (CAFR). She reviewed significant changes as compared to FY2017.

The Committee discussed the pension adjustments and the different variables used to calculate the unfunded liabilities. The City's tax levy will not be reduced based on lower IMRF City contribution rates, as the tax levy does not cover the full actual expenses. They discussed the addition of Other Postemployment Benefits (OPEB) to be included in the financial statements starting in fiscal year 2019. Fiscal year 2019 will reflect significant increases to the Police and Fire Pensions to reduce the unfunded liability.

IV. Review Draft of Report to the Audit Committee (Includes Management Letter) as Prepared by Baker Tilly Virchow Krause, LLP.

Mr. Joe Lightcap of Baker Tilly stated City staff was prepared when they arrived. He stated the audit includes standard procedures based on the City's internal controls. No deficiencies were found.

He reviewed upcoming GASB required additions to the report.

He stated the October 2018 Audit Committee meeting is the start of preparations for the following year's audit. He stated based on a new financial system implementation, additional internal controls would be reviewed to identify any areas of concern.

V. Review Draft of Report on Applying Agreed-Upon Procedures as Prepared by Baker Tilly Virchow Krause, LLP

Mr. Lightcap stated testing was performed on the City's contingency accounts. He stated the City was aware findings would be identified in the review.

Ms. Holleb reviewed seven recommendations presented to the City Council for changes to the contingency account procedures. She stated the Finance Chairman receives a report monthly identifying all transactions and a new report will be developed from the new financial system for additional purchasing review.

Mr. Lightcap stated the new procedures that have been implemented were reviewed and no changes were recommended.

VI. **Executive Session**

Committee members entered into executive session with Mr. Lightcap at 5:46.

Committee members adjourned the executive session at 5:53.

VII. **Approval of Executive Session Minutes**

The Committee members requested the minutes to be approved annually at the regular January Audit Committee meeting.

Mr. Smith made a motion to approve the Executive Session Minutes for October 16, 2014; October 15, 2015; October 20, 2016 and October 19, 2017. The motion was seconded by Mr. Stieber. The motion carried unanimously by voice vote.

VIII. **Other Business**

Foundation Summary – No changes have been made to the summary.

Foundation Financial Review – No changes have been made to the summary.

IX. **Opportunity for Public to Address the Audit Committee** – No one in attendance

X. **Adjournment**

There being no further business, a motion was made by Mr. Stieber to adjourn the meeting. The motion was seconded by Mr. Smith. The motion was approved unanimously by voice vote. The meeting was adjourned at 5:55 p.m.

Respectfully submitted,

Diane Hall
Assistant Finance Director