

The City of Lake Forest
AUDIT COMMITTEE
Proceedings of the October 20, 2022 Meeting
5:15 p.m. – City Hall, 220 E. Deerpath

Minutes

I. **Call to Order and Roll Call**

Chairman Janos called the meeting to order at 5:17 p.m. Audit Committee Members present: Chairman Janos, Mr. Hirsch, Mr. Magnuson, Mr. Mieling and Finance Chairman Morris. Absent: Mr. Dillon and Mayor Pandaleon. Quorum present.

City staff present: Elizabeth Holleb, Finance Director; Diane Hall, Assistant Finance Director; Mark Krygeris, Staff Accountant and James Scott, Staff Accountant

Others present: Joe Lightcap of Baker Tilly

II. **Consent Agenda**

Approval of minutes from Audit Committee meeting held on July 21, 2022

Mr. Hirsch made a motion to approve the minutes from the July 21, 2022 Audit Committee meeting. The motion was seconded by Mr. Mieling. The motion carried unanimously by voice vote.

III. **Review Draft Annual Comprehensive Financial Report for the Fiscal Year Ended April 30, 2022**

Ms. Diane Hall, Assistant Finance Director reviewed a summary of highlighted areas of the Annual Comprehensive Financial Report, including significant changes compared to FY2021. This included increased revenues reflective of Recreation programs rebounding from the pandemic as well as increases to sales and income taxes. Surplus revenues over expenses in the General Fund were transferred to other operating funds for future use. Pension funded ratio's increased for IMRF due to a year-end of December 31, 2021, while police and fire pension funded ratio's decreased bases on investment losses at the end of the fiscal year.

The Committee discussed available cash balances and investment restrictions the City must follow. The City's cash balances are fully collateralized. The interest rate associated with the City's bank account is tied to the federal rate. As this rate increases, the City's interest received increases. The City has no control over the Police and Fire Pension investments. Per Public Act 101-0610, all local police and fire pension funds were mandated to consolidate for investment purposes only. Both pensions have transferred their investments to their respective consolidated funds.

The Committee discussed the receivable in the Liability Insurance Fund. Intergovernmental Risk Management Agency (IRMA), processes the City's liability insurance claims. The receivable is a result of positive claims. The City has elected to maintain the receivable to earn a more favorable interest rate on the balance.

The Committee discussed the Police and Fire Pensions do not issue separate reports. All required information is included in the City's Annual Comprehensive Financial Report.

IV. **Review Draft of Report to the Audit Committee as Prepared by Baker Tilly Virchow Krause LLP**

Mr. Joe Lightcap of Baker Tilly commended the Finance staff for the preparation of the audit. The letter to the Audit Committee is standardized and does not include any concerns. No new accounting standards were implemented in FY22. The Independent Auditors' Report has been changed to reflect new requirements to provide easier understanding of the opinion of the audit. The report includes disclosures of services for the Finance Department Meter Monitoring program as well as a new

compensation study for the Human Resources Department. The next two GASB statements that will affect the City are GASB 87 related to leases and GASB 96 related to Subscription-Based Information Technology Arrangements.

The Committee discussed if any findings were identified when reviewing related parties. No issues were identified. They discussed if the City currently has cyber security insurance. The City has coverage through the City's liability insurance provided by IRMA. The City's IT Director will be requested to provide a presentation on the City's cyber security.

V. **Executive Session**

Ms. Janos moved, seconded by Mr. Hirsch to adjourn into Executive Session with Mr. Lightcap at 6:16. The motion carried unanimously by voice vote.

Committee members adjourned the executive session at 6:30

VI. **Other Business**

Foundation Summary – No discussion

Foundation Financial Review – No discussion

Annual Committee Chair Report to the City Council – Monday November 7

Ms. Janos will provide a report to the City Council on November 7th. Ms. Hall will prepare a summary to assist with the presentation.

Ms. Holleb noted at the November 7 City Council meeting, an award for the City's Popular Annual Financial Report will be presented to the Finance Department. This award classifies the City as a "Triple Crown" winner from the Government Finance Officers Association (GFOA). The City is one of 293 out of more than 89,000 government units to receive this recognition.

VII. **Opportunity for Public to Address the Audit Committee** – No one requested to address the Audit Committee

VIII. **Adjournment**

There being no further business, a motion was made by Mr. Mieling to adjourn the meeting. The motion was seconded by Mr. Magnuson. The motion was approved unanimous by voice vote. The meeting was adjourned at 6:37 pm.

Respectfully submitted,

Diane Hall
Assistant Finance Director