

Lake County Forest Preserve District

Report to the Board of Commissioners
December 16, 2015



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December 16, 2015

To the Honorable President Ann Maine and
Members of the Board of Commissioners
Lake County Forest Preserve District
1899 West Winchester Road
Libertyville, IL 60048

Attention: Honorable Ann Maine, Board President

We are pleased to present this report related to our audit of the basic financial statements of the Lake County Forest Preserve District (the District) for the year ended June 30, 2015. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the District's financial and compliance reporting process.

This report is intended solely for the information and use of the Board of Commissioners and management and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to continue to be of service to Lake County Forest Preserve District.

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Required Communications

Generally accepted auditing standards (AU-C 260, *The Auditor's Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

Area	Comments
<p>Our Responsibilities with Regard to the Financial Statement Audit</p>	<p>Our responsibilities under auditing standards generally accepted in the United States of America and <i>Government Auditing Standards</i>, issued by the Comptroller General of the United States, have been described to you in our arrangement letter dated June 15, 2015. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.</p>
<p>Overview of the Planned Scope and Timing of the Financial Statement Audit</p>	<p>We have issued a separate communication regarding the planned scope and timing of our audit and have discussed with you our identification of and planned audit response to significant risks of material misstatement.</p>
<p>Accounting Policies and Practices</p>	<p>Preferability of Accounting Policies and Practices Under generally accepted accounting principles, in certain circumstances, management may select among alternative accounting practices. We did not discuss with management any alternative treatments with generally accepted accounting principles for accounting policies or practices related to material items during the current audit period.</p> <p>Adoption of, or Change in, Accounting Policies Management has the ultimate responsibility for the appropriateness of the accounting policies used by the District. The District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, <i>Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27</i>, and GASB Statement No. 71, <i>Pension Transition for Contributions Made Subsequent to the Measurement Date An Amendment of GASB Statement No. 68</i>, during the current period. The impact of implementing this statement resulted in a restatement of the beginning net position for governmental activities of \$2,771,219, as well as significant changes to the related financial statement disclosures and required supplementary information. Adoption and restatement is further described in Note O of the financial statements.</p> <p>Significant or Unusual Transactions We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</p> <p>Management's Judgments and Accounting Estimates Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is in the attached Summary of Significant Accounting Estimates.</p>

Area	Comments
Audit Adjustments	Audit adjustments recorded by the District are included as Appendix A of the representation letter, which is attached under Exhibit A.
Uncorrected Misstatements	We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.
Disagreements with Management	We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the basic financial statements.
Consultations with Other Accountants	We are not aware of any consultations management had with other accountants about accounting or auditing matters.
Significant Issues Discussed with Management	No significant issues arising from the audit were discussed with or the subject of correspondence with management.
Significant Difficulties Encountered in Performing the Audit	We did not encounter any significant difficulties in dealing with management during the audit.
Significant Written Communication Between Management and Our Firm	A copy of a certain written communication between our Firm and the management of the District is attached as Exhibit A.

Summary of Significant Accounting Estimates

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to determine and record these accounting estimates. The following describes the significant accounting estimates reflected in the District's June 30, 2015 basic financial statements.

Estimate	Accounting Policy	Management's Estimation Process	Basis for Our Conclusions on Reasonableness of Estimate
Depreciation of Capital Assets	Depreciation is based on management's estimate of the useful life of an asset.	Useful life is based on the frequency of use, age, required repairs and the environment.	We tested a sample of additions to recalculate depreciation expense and the related useful life. Management's valuation process appears reasonable.
Other Postemployment Benefits Obligation	The District accounts for its other postemployment benefits obligation (OPEB) and related reporting requirements in accordance with GASB 45. OPEB accounting requires that certain assumptions be made to calculate the funded status of the plan, the fair value of the assets, the related service costs and the projected benefits to the participants, and recognizes a liability if amounts paid are less than the annual required contribution.	Based on current economic conditions, management determines a discount rate, a long-term rate of return on plan assets and a rate of health care increases. Management submits employee census data to the actuary and provides the actuary with the underlying assumptions. The actuary calculates the District's OPEB liability, and management reviews and approves the report from the actuary.	We obtained a copy of the actuary's report directly from the actuary, together with confirmation of its objectivity. We tested the accuracy of the census data provided to the actuary. We analyzed the reasonableness of the actuarial assumptions. The valuation process appears reasonable.

Estimate	Accounting Policy	Management's Estimation Process	Basis for Our Conclusions on Reasonableness of Estimate
Net Pension Liability	The District records the net pension liability for each retirement program in which District employees participate. At June 30, 2015, District employees participated in the Illinois Municipal Retirement Fund (IMRF).	The District receives from the pension fund an actuarial report providing the net pension liability as well as the related amounts, such as the annual service cost and deferred inflows or outflows related to changes in the actuarial assumptions. Management reviews these reports for accuracy.	We obtained the actuarial report and supporting schedules and reviewed the assumptions for reasonableness. We also reviewed the census data provided to the pension fund from the District and compared to District records. The method used by the District to calculate the net pension liability appears reasonable.

Exhibit A – Significant Written Communication Between Management and Our Firm



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December 16, 2015

RSM US LLP
One South Wacker Dr., Ste. 800
Chicago, IL 60606

This representation letter is provided in connection with your audit of the basic financial statements of Lake County Forest Preserve District, Illinois (District) as of and for the year ended June 30, 2015 for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

We confirm, to the best of our knowledge and belief, as of the date of this letter:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated June 15, 2015, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.
2. 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.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable and reflect our judgment based on our knowledge and experience about past and current events and our assumptions about conditions we expect to exist and courses of action we expect to take.
5. Interfund transactions, including interfund accounts and transfers, have been recorded in accordance with the economic substance of the transaction and appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
6. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
7. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
8. We have reviewed the accounting statement presentation and disclosures related to the District's adoption of Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions, and Amendment to GASB Statement No. 27* and determined all is accurately presented.
9. We have no direct or indirect, legal or moral obligation for any debt of any organization, public or private, or to special assessment bond holders that is not disclosed in the financial statement.
10. We have complied with all aspects of contractual agreements that would have a material effect on the basic financial statements in the event of noncompliance.
11. We have no knowledge of any uncorrected misstatements in the financial statements.

Information Provided

12. 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 records, documentation, and other matters;



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- b. Additional information that you have requested from us for the purpose of the audit;
 - c. Unrestricted access to persons within the District from whom you determined it necessary to obtain audit evidence.
 - d. Minutes of the meetings of the governing boards and committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.
13. All transactions have been recorded in the accounting records and are reflected in the financial statements.
 14. We have disclosed to you the results of our assessment of risk that the financial statements may be materially misstated as a result of fraud.
 15. We have no knowledge of allegations of fraud or suspected fraud, affecting the District's financial statements involving:
 - a. Management.
 - b. Employees who have significant roles in the internal control.
 - c. Others where the fraud could have a material effect on the financial statements.
 16. We have no knowledge of any allegations of fraud or suspected fraud affecting the District's financial statements received in communications from employees, former employees, analysts, regulators, or others.
 17. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations whose effects were considered when preparing financial statements.
 18. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements.
 19. We have disclosed to you the identity of the District's related parties and all the related-party relationships and transactions of which we are aware.
 20. We are aware of no significant deficiencies or material weaknesses in the design or operation of internal controls that could adversely affect the District's ability to record, process, summarize, and report financial data.
 21. We are aware of no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

Supplementary Information

22. With respect to supplementary information presented in relation to the financial statements as a whole:
 - a. We acknowledge our responsibility for the presentation of such information.
 - b. We believe such information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America
 - c. The methods of measurement or presentation have not changed from those used in the prior period.
 - d. There are no underlying significant assumptions or interpretations regarding the measurement or presentation of such information.
 - e. When supplementary information 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 of issuance of the supplementary information and the auditor's report thereon.
23. With respect to management discussion and analysis, schedules of net pension liabilities, employer contributions, and schedule of funding progress and general fund budget to actual schedule



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presented as required by Governmental Accounting Standards Board to supplement the basic financial statements:

- a. We acknowledge our responsibility for the presentation of such required supplementary information.
 - b. We believe such required supplementary information is measured and presented in accordance with guidelines prescribed by accounting principles generally accepted in the United States of America.
 - c. The methods of measurement or presentation have not changed from those used in the prior period.
 - d. There are no underlying significant assumptions or interpretations regarding the measurement or presentation of such information.
24. During the course of your audit, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

Compliance Considerations

In connection with your audit, conducted in accordance with *Government Auditing Standards*, we confirm that management:

1. Is responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to the auditee.
2. Has represented that there are no instances that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
3. Has represented that there are no instances that have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
4. Has represented that there are no instances that have occurred or are likely to have occurred of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
5. Has represented that there is no fraud; noncompliance with provisions of laws, regulations, contracts, and grant agreements; or abuse.
6. Has a process to track the status of audit findings and recommendations.
7. Has identified for the auditor previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
8. Has provided views on the auditor's reported findings, conclusions, and recommendations, as well as management's planned corrective actions, for the report, if any.
9. Acknowledges its responsibilities as it relates to nonaudit services performed by the auditor, including a statement that it assumes all management responsibilities; that it oversees the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; that it evaluates the adequacy and results of the services performed; and that it accepts responsibility for the results of the services.

In connection with your audit of federal awards conducted in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, we confirm:

1. Management is responsible for complying, and has complied, with the requirements of Circular A-133.



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2. Management is responsible for understanding and complying with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of its federal programs.
3. Management is responsible for establishing and maintaining, and has established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on its federal programs.
4. Management has prepared the schedule of expenditures of federal awards in accordance with Circular A-133 and has included expenditures made during the period being audited for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance.
5. Management has identified and disclosed to the auditor the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major program.
6. Management has made available all contracts and grant agreements (including amendments, if any) and any other correspondence relevant to federal programs and related activities that have taken place with federal agencies or pass-through entities.
7. Management has represented that there are no amounts questioned and no known noncompliance with the direct and material compliance requirements of federal awards.
8. Management believes that the auditee has complied with the direct and material compliance requirements.
9. Management has made available all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
10. Management has provided to the auditor its interpretations of any compliance requirements that are subject to varying interpretations, if any.
11. Management has represented that there are no communications from grantors and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
12. Management has represented that there are no findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
13. Management is responsible for taking corrective action on audit findings of the compliance audit, if any.
14. Management has provided the auditor with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions, if any.
15. Management has represented that there are no subsequent events that provide additional evidence with respect to conditions that existed at the end of the reporting period that affect noncompliance during the reporting period.
16. Management has represented that there is no known noncompliance with direct and material compliance requirements occurring subsequent to the period covered by the auditor's report or stating that there were no such known instances.
17. Management has represented that there are no changes in internal control over compliance or other factors that might significantly affect internal control, including any corrective action taken by



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- management with regard to significant deficiencies and material weaknesses in internal control over compliance, have occurred subsequent to the date as of which compliance is audited.
18. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared.
 19. The copies of federal program financial reports provided to the auditor are true copies of the reports submitted, or electronically transmitted, to the federal agency or pass-through entity, as applicable.
 20. Management has represented that there are no subrecipients.
 21. Management has charged costs to federal awards in accordance with applicable cost principles.
 22. Management is responsible for, and has accurately prepared, the summary schedule of prior audit findings to include all findings required to be included by Circular A-133.
 23. Management will accurately complete the appropriate sections of the data collection form.
 24. There have been no contracts or other agreements with service organizations.

Lake County Forest Preserve District

Alex Ty Kovach
Executive Director

Steve Neaman
Director of Finance

Lake County Forest Preserve District
 Recorded Audit Adjustment
 June 30, 2015

<u>Fund</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
#1 GWFS	Deferred loss on refunding	1,131,327	
GWFS	Bond issuance		(1,131,327)
		<u>1,131,327</u>	<u>(1,131,327)</u>

To record deferred loss on refunding bond issuance.

#2 Golf Course	Net pension liability		(535,141)
Golf Course	Pension expense	535,141	-
		<u>535,141</u>	<u>(535,141)</u>

To record the golf courses' portion of the net pension liability