

# Lake County Forest Preserve District

Report to the Board of Commissioners  
December 4, 2014



December 4, 2014

To the Members of the Board of Commissioners  
Lake County Forest Preserve District  
1899 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, 2014. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for District's financial 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.

*McGladrey LLP*

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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
<b>Our Responsibilities With Regard to the Financial Statement Audit</b>	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 July 11, 2014.
<b>Overview of the Planned Scope and Timing of the Financial Statement Audit</b>	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.
<b>Accounting Policies and Practices</b>	<p><b>Preferability of Accounting Policies and Practices</b> Under generally accepted accounting principles, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.</p> <p><b>Adoption of, or Change in, Accounting Policies</b> Management has the ultimate responsibility for the appropriateness of the accounting policies used by the District. The District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 65, <i>Items Previously Reported as Assets and Liabilities</i> during the current period. The implementation of GASB Statement No. 65 resulted in a restatement of opening July 1, 2013 net position of \$2,996,873. Adoption and restatement is further described in Note O of the financial statements.</p> <p><b>Significant or Unusual Transactions</b> 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><b>Management's Judgments and Accounting Estimates</b> 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>
<b>Audit Adjustments</b>	Adjustments made to the original trial balance presented to us at the start of the audit are included with the representation letter which is attached as Exhibit A.
<b>Uncorrected Misstatements</b>	We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.

Area	Comments
<b>Disagreements With Management</b>	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.
<b>Consultations With Other Accountants</b>	We are not aware of any consultations management had with other accountants about accounting or auditing matters.
<b>Significant Issues Discussed With Management</b>	No significant issues arising from the audit were discussed with or were the subject of correspondence with management.
<b>Significant Difficulties Encountered in Performing the Audit</b>	We did not encounter any significant difficulties in dealing with management during the audit.
<b>Significant Written Communication Between Management and Our Firm</b>	A copy of a certain written communication between our firm and the management of the District (the representation letter signed by management) is attached as Exhibit A.

**Lake County Forest Preserve District  
Summary of Significant Accounting Estimates  
Year Ended June 30, 2014**

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 basic financial statements.

<b>Estimate</b>	<b>Accounting Policy</b>	<b>Management's Estimation Process</b>	<b>Basis for Our Conclusions on Reasonableness of Estimate</b>
<b>Fair Value of Investments</b>	The District reports investments at fair value.	The District obtains market value prices from investment managers which are based on publicly-quoted prices available and reviews for reasonableness.	We confirmed existence of all investments at year-end. To test the valuation of the investments, we agreed certain stated market prices to an online pricing source. Management's valuation process appears reasonable.
<b>Depreciation of Capital Assets</b>	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.
<b>Other Postemployment Benefits Obligation</b>	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 recognize 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.

**Exhibit A — Significant Written Communication Between  
Management and Our Firm**





LAKE COUNTY FOREST PRESERVES  
www.LCFPD.org

Preservation, Restoration, Education and Recreation

December 4, 2014

McGladrey LLP  
One South Wacker Drive, Suite 800  
Chicago, Illinois 60606

This representation letter is provided in connection with your audit of the basic financial statements of the Lake County Forest Preserve District, Illinois (District) as of and for the year ended June 30, 2014 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 July 11, 2014, 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. Related-party transactions, including those with the component unit for which the District is accountable, and interfund transactions, including interfund accounts and advances receivable and payable, sale and purchase transactions, interfund transfers, long-term loans, leasing arrangements, and guarantees, 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. There are no unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with Statement of Financial Accounting Standards No.5 and/or GASB Statement No.10.



9. We have no direct or indirect, legal or moral obligation for any debt of any organization, public or private that is not disclosed in the financial statements.
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;
  - 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 the governing board 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.
16. Other than discussed below, 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.
  - a. On September 29, 2014, the Illinois Metropolitan Investment Trust (IMET) was informed of defaults on certain loans believed to be guaranteed in its Convenience Fund in the amount of \$50,442,143 caused by fraud on the part of the First Farmer's Financial (FFF), a USDA approved lender. As of June 30, 2014, the amount of fraudulent FFF loans in the Convenience Fund was \$43,878,202, or 4.09%. This resulted in a decrease in the value of the District's IMET Investment in the amount of \$1,411,649 as of June 30, 2014.
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.

23. With respect to required supplementary information (management's discussion and analysis, budgetary comparison information, pension and OPEB information) presented as required by the Governmental Accounting Standards Board (GASB) to supplement the basic financial statements:

- a. We acknowledge our responsibility for the presentation of such required supplementary information.
- a. 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.
- b. The methods of measurement or presentation have not changed from those used in the prior period.

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. Represents 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. Represents 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. Represents 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. Represents there is no fraud; noncompliance with provisions of laws, regulations, contracts, and grant agreements; or abuse that the auditor reports.

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.
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.

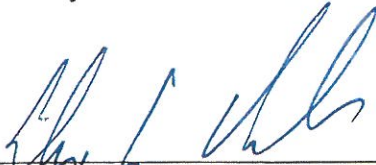
In connection with your audit of federal awards conducted in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, we confirm:

1. Management is responsible for complying, and has complied, with the requirements of Circular A-133.
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 the 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 is not aware of amounts questioned or any 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 is not aware of any interpretations of any compliance requirements that are subject to varying interpretations.
11. Management is aware of 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 is not aware of any 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. There are no corrective actions on audit findings of the compliance audit.
14. There are no prior audit findings by federal awarding agencies and pass-through entities.
15. 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. There is no known noncompliance with direct and material compliance requirements occurring subsequent to the period covered by the auditor's report.
17. There are no changes in internal control over compliance or other factors that might significantly affect internal control, including any corrective action taken by 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 monitored subrecipients to determine that they have expended pass-through assistance in accordance with applicable laws and regulations and have met the requirements of Circular A-133.
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 has accurately completed the appropriate sections of the data collection form.
24. There are no contracts or other agreements with service organizations.

Lake County Forest Preserve District



Alex Ty Kovach  
Executive Director

  
Steve Meaman  
Director of Finance



**Lake County Forest Preserve District**  
**Recorded Audit Adjustment**  
**June 30, 2014**

	<u>Account Number</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
#1	1000-120900	IMET Convenience Fund		(229,882)
	1000-10-100-126	Gain/Loss Due to MV Adj	229,882	
	7000-120900	IMET Convenience Fund		(4,131)
	7000-70-100-126	Gain/Loss Due to MV Adj	4,131	
	2100-120900	IMET Convenience Fund		(21,314)
	2100-20-100-126	Gain/Loss Due to MV Adj	21,314	
	2300-120900	IMET Convenience Fund		(23,185)
	2300-90-100-126	Gain/Loss Due to MV Adj	23,185	
	2110-120900	IMET Convenience Fund		(27,768)
	2110-20-100-126	Gain/Loss Due to MV Adj	27,768	
	4520-120900	IMET Convenience Fund		(16,109)
	4520-20-125-126	Gain/Loss Due to MV Adj	16,109	
	4920-120900	IMET Convenience Fund		(17,755)
	4920-20-125-126	Gain/Loss Due to MV Adj	17,755	
	9000-120900	IMET Convenience Fund		(20,435)
	9000-20-100-126	Gain/Loss Due to MV Adj	20,435	
	4110-120900	IMET Convenience Fund		(39,335)
	4110-20-125-126	Gain/Loss Due to MV Adj	39,335	
	4720-120900	IMET Convenience Fund		(84,941)
	4720-20-125-126	Gain/Loss Due to MV Adj	84,941	
	4233-120900	IMET Convenience Fund		(103,560)
	4233-20-125-126	Gain/Loss Due to MV Adj	103,560	
	4730-120900	IMET Convenience Fund		(162,603)
	4730-20-125-126	Gain/Loss Due to MV Adj	162,603	
	4120-120900	IMET Convenience Fund		(49,798)
	4120-20-125-126	Gain/Loss Due to MV Adj	49,798	
	8000-120900	IMET Convenience Fund		(54,753)
	8000-80-100-126	Gain/Loss Due to MV Adj	54,753	
	4433-120900	IMET Convenience Fund		(68,982)
	4433-20-125-126	Gain/Loss Due to MV Adj	68,982	
	2800-120900	IMET Convenience Fund		(8,579)
	2800-60-164-126	Gain/Loss Due to MV Adj	8,579	
	2000-120900	IMET Convenience Fund		(162,743)
	2000-60-100-126	Gain/Loss Due to MV Adj	162,743	
	2600-120900	IMET Convenience Fund		(9,886)
	2600-30-100-126	Gain/Loss Due to MV Adj	9,886	
	2700-120900	IMET Convenience Fund		(6,721)
	2700-60-161-126	Gain/Loss Due to MV Adj	6,721	
	9200-120900	IMET Convenience Fund		(7,131)
	9200-20-100-126	Gain/Loss Due to MV Adj	7,131	
	3800-120900	IMET Convenience Fund		(8,221)
	3800-60-100-126	Gain/Loss Due to MV Adj	8,221	
	91000-120900	IMET Convenience Fund		(10,261)
	9100-20-122-126	Gain/Loss Due to MV Adj	10,261	
	4910-120900	IMET Convenience Fund		(13,882)
	4910-20-125-126	Gain/Loss Due to MV Adj	13,882	
	3900-120900	IMET Convenience Fund		(14,275)
	3900-10-100-126	Gain/Loss Due to MV Adj	14,275	
	2500-120900	IMET Convenience Fund		(15,949)

2500-30-100-126	Gain/Loss Due to MV Adj	15,949	
2400-120900	IMET Convenience Fund		(11,737)
2400-60-161-126	Gain/Loss Due to MV Adj	11,737	
8100-120900	IMET Convenience Fund		(12,402)
8100-80-100-126	Gain/Loss Due to MV Adj	12,402	
2900-120900	IMET Convenience Fund		(12,952)
2900-60-161-126	Gain/Loss Due to MV Adj	12,952	
7700-120900	IMET Convenience Fund		(1,721)
7700-70-410-126	Gain/Loss Due to MV Adj	1,721	
7600-120900	IMET Convenience Fund		(2,356)
7600-70-410-126	Gain/Loss Due to MV Adj	2,356	
4420-120900	IMET Convenience Fund		(165)
4420-20-125-126	Gain/Loss Due to MV Adj	165	
4100-120-900	IMET Convenience Fund		(2,627)
4100-20-125-126	Gain/Loss Due to MV Adj	2,627	
3720-120900	IMET Convenience Fund		(3,451)
3720-60-100-126	Gain/Loss Due to MV Adj	3,451	
3740-120900	IMET Convenience Fund		(9,281)
3740-60-100-126	Gain/Loss Due to MV Adj	9,281	
3710-120900	IMET Convenience Fund		(22,495)
3710-60-100-126	Gain/Loss Due to MV Adj	22,495	
3210-120900	IMET Convenience Fund		(7,124)
3210-30-130-126	Gain/Loss Due to MV Adj	7,124	
3510-120900	IMET Convenience Fund		(1,781)
3510-60-100-126	Gain/Loss Due to MV Adj	1,781	
3321-120900	IMET Convenience Fund		(62,056)
3321-30-100-126	Gain/Loss Due to MV Adj	62,056	
3520-120900	IMET Convenience Fund		(4,128)
3520-60-100-126	Gain/Loss Due to MV Adj	4,128	
3133-120900	IMET Convenience Fund		(45,102)
3133-30-130-126	Gain/Loss Due to MV Adj	45,102	
3563-120900	IMET Convenience Fund		(30,068)
3563-60-100-126	Gain/Loss Due to MV Adj	30,068	
		<u>1,411,645</u>	<u>(1,411,645)</u>

To record loss associated with fraudulent IMET funds.

#2	GWFS	Deferred loss on refunding	1,411,790	
	GWFS	Bond issuance		(1,411,790)
			<u>1,411,790</u>	<u>(1,411,790)</u>

To record deferred loss on refunding bond issuance.



