

MINUTES OF A FINANCE COMMITTEE MEETING OF THE BOARD OF PARK COMMISSIONERS OF THE PARK DISTRICT OF HIGHLAND PARK HELD ON THURSDAY, MAY 28, 2020 3:00PM. THE MEETING WAS CONDUCTED REMOTELY DUE TO THE GOVERNOR’S DECLARATION OF EMERGENCY AS A RESULT OF THE COVID-19 PANDEMIC. MEMBERS OF THE PUBLIC WERE ABLE TO VIEW A LIVE STREAM OF THE FINANCE COMMITTEE MEETING AND SUBMIT ITEMS FOR PUBLIC COMMENT VIA EMAIL TO THE EXECUTIVE DIRECTOR TO BE READ ALOUD DURING THE MEETING.

Present: Commissioner Bernstein, Commissioner Grossberg, Vice President Ruttenberg, President Kaplan

Also, Present: Executive Director Romes; Director Peters; Manager Warsaw, Accountant Rosen; Executive Coordinator Hejnowski

Guest Speaker: Dan Berg, Sikich CPA and Martha Trotter, Sikich CPA

PUBLIC COMMENT FOR ITEMS ON THE AGENDA – None.

March 3, 2020, Finance Committee Meeting minutes were approved. The meeting proceeded with an update on The District’s CAFR.

CAFR

Director Peters introduced Dan Berg and Martha Trotter, Certified Public Accountants from Sikich. Mr. Berg thanked Director Peters and the District for allowing Sikich to come in while the facility was closed to conduct and accomplish the first-year audit in a timely and efficient manner. The District was very responsive and kept safety as a top priority. He noted that the documents being presented today are undated since Sikich is awaiting issuance from the IMRF CAFR Audit, which will assure the numbers are finalized and accurate. Mr. Berg highlighted key items from the recent audit beginning with Sikich’s opinion, which states the basic financial statements referred to in this document, present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Park District of Highland Park as of December 31, 2019, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The next item reviewed was the statement of net position, which represents the full accrual of the District. The District has \$37,782,923 as a net investment in capital assets. The District has \$487,832 of restricted funds to be used towards the debt service and the special recreation fund vs. \$17,711,036 of unrestricted funds. The total net position of the District is \$55,981,791.

The statement of activities shows that the District’s net position increased by nearly \$3 million. This increase was due to a spike in revenue from the re-opening of Sunset Valley Golf Course and \$1 million in grant funds.

The next item reviewed was the District's fund balances which are based on a modified accrual basis. The District has \$487,832 of restricted funds, the Park Board has committed to \$4,644,727 to remain in the recreation fund, \$7,118,928 has been assigned to capital projects, and \$3,292,104 of assigned dollars are available in the general fund.

The next item reviewed was the statement of revenues, expenditures, and changes in fund balance based on a modified accrual basis. The District has \$6,776,987 of revenue in the general fund vs. \$5,233,387 of expenditures and \$14,885,818 of revenue in the recreation fund vs. \$11,396,187 of expenditures. Much of the revenues were transferred to capital expenditures and the debt service, leaving a \$923,975 increase of fund balance in the general fund and a \$55,693 increase of fund balance in the recreation fund.

The next items reviewed were debt service, capital projects, and non-major funds. Each of these items had a deficit before transfers in from the general and recreation funds, which was designed into the budget. There is \$7.1 million available for 2020 capital projects due to transfers.

Looking at the District's IMRF figures, Mr. Berg reported that the net pension liability or assets fluctuate year-to-year from 105% - 117%. As of 2020, the District is at 111%, and the Park District of Highland Park is one of the few Districts that is fully funded and has made wise decisions to keep those rates low.

Mr. Berg reported that the only item left is the report from IMRF. Once received, Sikich will send the letter to the District and issue the report.

Commissioner Bernstein would like to know what the auditor's role is going to be as the District moves forward from the impacts of COVID-19, specifically how significantly will the pandemic impact the District's finances.

Mr. Berg reported that auditors are expecting far fewer revenues for services and fees and expenses, so testing for the next audit will have to shift focus. Sikich will keep in contact with clients to ensure they are maintaining adequate controls for remote work.

Commissioner Bernstein would like to know what kind of services and consulting Sikich is doing and suggesting to clients regarding COVID-19.

Mr. Berg reported that Sikich recommends enhancing security systems due to remote work and is in constant communication with clients to see what they are doing to keep enhanced security if working remotely. Company's need to continue approving expenditures while keeping enhanced controls over cash control, purchasing, etc.

Director Peters reported that the District has been aggressive and significantly reduced employee spending limits, starting at \$250. In addition, all purchases need to be pre-approved. Lastly, all payroll reports, changes, and employee reductions must be pre-approved by the Director of Human Resources and Risk Management and the Executive Director.

Mr. Berg was pleased to hear the controls the District has in place.

Vice President Ruttenberg would like to review the pension obligations, asking if the District will pay \$45 million in the liability.

Mr. Berg reported that the Park District is responsible for accumulating enough assets in IMRF to cover the \$45 million in liability. The District is being charged a percentage monthly, which the District is required to submit to maintain that funding level. The District is required to reach that number.

Vice President Ruttenberg would like to know what the District's annual contribution rate is.

Mr. Berg reported that the District's contribution rate is below FICA.

Vice President Ruttenberg stated this is a positive situation for the District to be in. He asked staff to present the contributions in relation to the actuarially determined contribution for IMRF, reporting on the contributions from 2015 – 2019.

Commissioner Bernstein would like to know are any of the District's fund balances excessive.

Mr. Berg reported that he would not consider the District's fund balances to be excessive, especially during the pandemic.

Commissioner Bernstein would like to know if Sikich should conduct an audit semi-annually due to the pandemic.

Mr. Berg could schedule rating and profit calls to review specific items, rather than schedule a second audit this year.

Director Peters reported that the District is reviewing the budget month-to-month for the remainder of 2020; staff is carefully monitoring cash flow projections to ensure the District can pay bills and debt certificates. As a result, the District furloughed staff and cut hours, canceled various activities, suspended utilities, and closed certain operations to cut costs. Staff are providing reports to the Park Board twice a month at the public meetings.

Commissioner Bernstein would like to know the role Sikich will play in this process since the District is dealing with a unique situation due to COVID-19.

Mr. Berg reported that Sikich's role is to be an advisor.

Ms. Trotter reported that the first-year audit only recommended 3 adjustments, and the fact that staff is reviewing budgets month-to-month, those numbers are reliable.

Vice President Ruttenberg asked Sikich to review those adjustments.

Mr. Berg reported that Sikich recommends the District decrease the receivable for grants, relocating health insurance premiums to flex, and lastly, due to a prior period adjustment, Sikich recommends correcting differed revenue from the RecTrac implementation and quantifying the correct number.

Vice President Ruttenberg would like to know how the RecTrac implementation occurred.

Director Peters reported that the first adjustment for \$118,000, was due to grant funds being awarded to the District and set up as a receivable. The second item was due to an entry not being made when the District transferred over from ADP to Paycom.

Mr. Berg reviewed the final part of the CAFR, which is the board communication and the management letter, reporting that there were no material weaknesses or significant deficiencies. These items are not required to be presented to the board based on statements of audit standards. Such items were discussed with staff and the only advisory item is regarding the Park Foundation. If the Park Foundation becomes material to the financial statements of the Park District audit standards require this unit to be included in the District's audit, so it is recommended the revenues and cash are transferred over to the Park District.

Director Peters reported that the Park Foundation transferred Smile funds and donations for the construction which will occur at the golf course.

Commissioner Bernstein would like to know why Sikich recommends transferring the responsibility of payroll to finance.

Executive Director Romes reported that it is not uncommon for Human Resources to oversee all payroll operations. Sikich needs to make sure the District's policies and procedures are in place. Payroll operations have been the responsibility of Finance in the previous year, and the District feels it is most comfortable for such operations to be the responsibility of Human Resources.

Mr. Berg reported it is his recommendation, but it is not required. Since finance reviews payroll reports and changes, Sikich feels the District has adequate internal controls.

OTHER BUSINESS

Director Peters reported that the next Finance Committee Meeting will be held remotely on Tuesday, June 4 at 12:00 pm.

The meeting was adjourned at 4:02 p.m.