

**VILLAGE OF ROUND LAKE HEIGHTS  
619 W. PONTIAC COURT – BOARD ROOM  
COMMITTEE MEETING – JANUARY 6, 2009**

**CALL TO ORDER**

The Village of Round Lake Heights Committee Meeting was called to order by Mayor Lumpkins at 7:00 p.m.

**ROLL CALL**

Trustee Meeks = Present	Trustee Mahoney = Present
Trustee Walker = Present	Trustee Katzel = Present
Trustee Faught = Present	Trustee Germann = Present
Mayor Lumpkins = Present	Village Clerk Mahoney = Present

Also Present = John Eder and two residents

Mayor Lumpkins reminded the Board that committee meetings are for discussion purposes only and no final action should be taken at a committee meeting. Mayor Lumpkins stated that, for example, the light bar discussed at the last meeting that the Board can take a consensus on the light bar but no final action should be taken until the Board meeting. Mayor Lumpkins stated that this information is not only for the Board but also for the audience.

**AUDIENCE COMMENTS**

**Squad Car Lights**

A resident questioned Trustee Meeks about the consensus taken at the last meeting to purchase the police lights for car #5 and if the lights were purchased. Trustee Meeks stated that she did not have any knowledge of the lights being purchased. The resident stated that he just saw the car and it has brand new LED lights on top of it. Mayor Lumpkins stated that we could find out if they were purchased and stated that there is a safety issue if there is a squad car without lights. Mayor Lumpkins stated that a consensus was taken and the final approval would be done at the Board meeting which is how this Board has always done things. The resident questioned Mayor Lumpkins if the village purchased the lights and Mayor Lumpkins stated that he would find out for him. The resident questioned if he needed to file a freedom of information request and Mayor Lumpkins stated that he would be happy to tell him tomorrow if the lights were purchased or not. The resident stated that he understands that if lights go out on a police car that it is a safety issue but that a special meeting of the Board members should be called to make the decision to purchase the lights or not. The resident stated that Janelle Christensen from the state's attorney office told him that the village attorney told Janelle Christensen that the village did not purchase the lights. Mayor Lumpkins stated that he would call Janelle Christensen in the morning and they could call her together if the resident would want to. The resident stated that this action is a violation of the Open Meetings Act. Mayor Lumpkins stated that he

does not agree that this is a violation and that a consensus was taken and the final action would be taken at the Board meeting.

The resident asked if there are any ordinances that define when the mayor can act by himself unilaterally as opposed to the Village Board having to vote on a final action. The resident stated that, for example, if there is an expenditure that costs five thousand dollars could the mayor purchase that himself. Mayor Lumpkins stated that it is common sense and that he has never done this since he has been in office. The resident stated that the Board votes on things that do not need to be voted on. Mayor Lumpkins stated that he never had any large expenses without the Board's knowledge. The resident questioned if there is an ordinance relating to this and Mayor Lumpkins stated he would have to look into it tomorrow for him.

Trustee Meeks stated since Mayor Lumpkins will be talking to the state's attorney she asked Mayor Lumpkins to see if there is ever an instance where public safety is involved if a consensus could be taken to go ahead with the purchase and then be reaffirmed at the Board meeting. Mayor Lumpkins stated that he would ask the state's attorney.

#### **ADMINISTRATIVE**

Presentation from John Eder of Eder, Casella & Co.

Mayor Lumpkins asked John Eder to do his presentation to the Board. John Eder stated that his company performs month end and annual audit work for the Village of Round Lake Heights. John Eder stated that the yearend audit went well this year and there were no problems. Auditing standards have changed this year therefore they had different standards to adhere to this year than in the past. John Eder stated that in general the new standards were created to get more confidence back in the field when an audit is performed. Auditors are supposed to come in to review the financial statements to see that they are fairly stated and are not coming in to review every transaction. John Eder stated that there are specifics they were required to do in the audit that he does not feel is necessary to go through with the Board but that the big change is communication to the Board. John Eder stated that they met with Mayor Lumpkins and Trustee Meeks to go over the audit changes and letters that the auditors are required to do. John Eder stated that Mayor Lumpkins asked him to come to a meeting to explain these things to the whole Board. John Eder explained that larger companies have the staffing to prepare all the audit work themselves but those smaller companies and not-for-profits cannot afford to have the staff to do the work and therefore hire out auditors. In the past his company would come out monthly and prepare financial statements and at yearend they would prepare the audit. His company can still do this but with the change in audit standards he is required to communicate in writing to us that this is a deficiency if an auditor does any work. If an auditor does any work besides reviewing it has to be stated as a deficiency and stated that the auditor prepared the report. John Eder stated that he questioned Mayor

Lumpkins at their meeting what the village does with the management letter and if it is important to the village. John Eder stated that the management letter is extremely important to not-for-profits when they go out to get funding and could be the determining factor if they receive funding or not. John Eder stated that for most governments and small governments that it is not a big deal and it is simply an internal document that is shared to reveal possible improvements to their system that the auditors present to them based upon their work performed as auditors. John Eder stated that Mayor Lumpkins was uncomfortable with the comments and would like to fix any comments they give to the village. John Eder stated that he was very happy that the mayor was uncomfortable with receiving any comments. John Eder stated that it is not an easy fix. John Eder stated that the village does not have staff members that are trained to prepare the financial statements. John Eder stated that for them to do governmental work they are required to do forty hours of continuing education per year per person. John Eder stated that the standards are constantly changing. John Eder stated that this deficiency has to be stated each and every year that it exists and not simply one time. John Eder stated that Mayor Lumpkins wanted him to explain to the Board the options they have to resolve the deficiency. John Eder stated that one option is to hire a staff person who would receive a minimum of fifty to seventy thousand dollars annually as salary and then you would also have to pay for the annual training of that person to stay up to date on the current standards. This first option is expensive. Another option is to hire two different firms, one to do the monthly and yearend work and the second one to do the audit. There will be additional expense with this second option because there will be a duplication of work performed by the two firms. John Eder stated that for about three or four of their clients this year they prepared all the work and another firm came in to do the audit and the other firm used was Milburn Cain & Company out of Gurnee. John Eder reminded the Board that they are not breaking any laws and that he is simply required to point out any deficiencies according to the standards. John Eder stated that about eighty percent of his clients received a variation of this letter, ten percent hire dual services and ten percent are larger and have CPA's on staff to perform the work themselves. John Eder stated that another possible option is if the village could find someone in the community who does this type of work to volunteer to be on an audit committee to review the reports.

John Eder stated that Sarbanes-Oxley and GASB 34 have created stricter requirements and that the Board needs to understand what an audit is and their responsibility. John Eder stated that a not-for-profit organization in Illinois that has one hundred and fifty thousand dollars in revenue is required to have an audit. It is impossible for a company of that size to have the staff on board to do the audit work which is why many organizations are getting the letters that state the deficiency. John Eder stated that many of his clients do not care about the management letter but simply are required to do the audit and it is part of the audit. John Eder stated that he appreciates that Mayor Lumpkins cares about the management letter. John Eder stated that there are two letters and the first

one states that nothing has changed within the village but that the rules have changed. Now if there is this deficiency then the letter must be given to state the deficiency. John Eder stated that he would be happy to help find other firms for the village. John Eder stated that if the two firms are not familiar with each other's work that the cost would probably be more since more work would be required but if the two firms are used to working with each other then the village would benefit from that. John Eder stated that some organizations have spent a lot of money to remove comments from their management letter. John Eder stated that he could not in good conscience tell the Board that they need to spend more money because he doesn't feel they will get much of a different result in the audit but that the Board needs to make that decision.

Trustee Faught asked what the ramifications of this letter are to the village. John Eder stated that he did not think this letter would have any impact if the village went out for bonding. John Eder stated that if someone asked for the letter we would be required to give it to them and that person might interpret the letter differently since he is not there to explain it to them and the Board may not be there to explain it either. John Eder stated that he was not aware of any financial ramifications of a management letter that states your auditor writes up your financial statements. John Eder stated that if down the road the removal of this deficiency gives the village a better bond rate or interest rate then it may be worthwhile to spend the additional funds to remove the deficiency from the letter. John Eder stated that hopefully over time people will understand these letters and realize that it is silly for small governments or non-profits and will make an exception for them. John Eder stated that the Village Board is doing nothing wrong and nothing illegal. John Eder stated that in his opinion he is not sure if the village would be spending the property tax money efficiently if they choose to spend additional funds to remove the deficiency from the management letter. Trustee Faught questioned if the state's attorney or the IRS care about the management letter and John Eder stated that they do not and it is really an internal document. John Eder stated that the public could request a copy of the management letter but it is not common. Trustee Meeks questioned if we have had management letters before and John Eder stated that probably not every year but he would have to check if the village has received management letters before. John Eder stated that the village's controls with checks and balances are very good. John Eder stated that he is more comfortable working with the Village Board since the Board is concerned about the management letter and taking corrective actions. John Eder asked the Board if they understand everything and the Board did. The two letters are in draft form and the first is a cover letter which leads into the second letter. John Eder stated that the audit is complete and the report has been filed with the comptroller. John Eder stated that Mayor Lumpkins wanted the Board to see everything before the letters were finalized. The village can make changes to the letter before signing off on the letter. Mayor Lumpkins asked Clerk Mahoney to put this on the agenda for next week along with accepting the audit. There were no further

questions for John Eder and Mayor Lumpkins along with the Board thanked him for coming. John Eder thanked the Board for the opportunity and stated that he has enjoyed working with the village and hopes we can resolve this for the village.

**Martin Luther King, Jr. Day Proclamation**

Mayor Lumpkins stated that the proclamation proclaiming January 19, 2009 as Martin Luther King, Jr. Day in the Village of Round Lake Heights will be on the agenda next week at Board for approval.

**CORRESPONDENCE**

Clerk Mahoney reported that newsletters received were InTransit, PeriScope, Round Lake Area Chamber News and Illinois Municipal Review.

**COMMITTEE  
REPORTS**

Public Safety There was nothing to report.

Public Works There was nothing to report.

Building & Zoning There was nothing to report.

Sewer & Water There was nothing to report.

Administration There was nothing to report.

Ordinances There was nothing to report.

**OLD BUSINESS** There was nothing to report.

**NEW BUSINESS** There was nothing to report.

**MOTION** A motion was made by Trustee Meeks, Seconded by Trustee Faught and unanimously passed to adjourn.

**ADJOURNMENT: 7:35 P.M.**

Respectfully Submitted,

Susan A. Mahoney  
Village Clerk