MINUTES OF THE
COMMITTEE OF THE WHOLE MEETING
VILLAGE OF NORTHFIELD
MONDAY, SEPTEMBER 17, 2018

The Committee of the Whole meeting was called to order by Village President Joan Frazier on Monday, September 17, 2018 at 5:30 p.m. Village Clerk Stacy Sigman called the roll as follows:

Committee Members Present:
Trustee Tom Roszak
Trustee Allan Kaplan
Trustee Greg Lungmus
Trustee Thomas Terrill
Trustee John Goodwin

President Joan Frazier

Absent:
Trustee John Gregorio

Others Present:
Village Attorney Everette M. Hill, Jr., Village Manager Stacy Sigman, Finance Director Steve Noble and Assistant to the Village Manager Melissa DeFeo; Todd Schroeder, Kevin Cavanaugh and Ron Amen.

Approval of the August 21, 2018 Report of Proceedings

Trustee Lungmus made a motion, seconded by Trustee Goodwin to approve the August 21, 2018 Report of Proceedings.

Trustee Lungmus indicated on page 6, second paragraph he would like it to be removed completely. Attorney Hill suggested tabling this until next meeting.

Trustee Lungmus made a motion, seconded by Trustee Terrill to table this until the October 16, 2018 COW meeting. Roll call vote of all ayes.

Long Range Financial Planning Initiative Discussion on the Village's Roadway System

President Frazier indicated that this is part of the process the COW has been going through to assess the state of the Village's finances and how ready we are to pay the bills down the road, what our financial health is and what are our expectations in terms of expenses.

Trustee Lungmus said with the long agenda, it will be an abbreviated content and will just deal with the roads and sidewalks. He said VM Sigman did a great infrastructure report which we will be expanding on monthly as we continue this long range financial planning initiative. Overall, the news is good as far as roads go. The Village-owned roads are in excellent shape. The discussion will be in two parts: what the Village and staff have done to this point and then how the Village can maintain our roadway system going forward.

Trustee Lungmus indicated that over the past 10 years, we have gone to capital markets three times and borrowed money to replace, repair and upgrade our roads. Today, we are near 100% of our roads having been redone and in his opinion, the Village is in an excellent place. The idea is to develop a long term plan which is initiated by VM Sigman and Pat Glenn of Gewalt-Hamilton to develop a model to work from to maintain our roads in top condition. The ultimate goal is to maximize the life span of the roadways. There is a lot of information in the packet which VM Sigman put together. The interesting thing is a by-product of what he just described – a model to extend the life of our roadway. The idea is that through resurfacing, then patching, crack sealing and then sealcoating. After a roadway is redone, every three years the idea is to patch and then from that initial resurfacing we would resurface again in 15 years and after 25 years, it will be rebuilt. He said VM Sigman and President Frazier talked about the fact that this has to be a dynamic system. The idea that you can create a program for replacing roads, depending upon use, weather, all kinds of things, it has to be dynamic enough to account for the fact that roadways deteriorate at different rates. Developing a plan like this makes a lot of sense and he thinks we should go forward with at least having the idea of where we are, compared to year's past where we resurfaced knowing what we did and what we're looking for to do every 3 years, 5 years and then 15 years. It is a way to manage our capital initiatives, keeping roads in top condition.

Lastly, Trustee Lungmus said he doesn't think he has ever seen any municipal road seal coated. He would like to engage Pat and what kind of success he has seen in other communities' sealcoating roadways. It is an expense which you're not seeing the benefits? He would like to see more proof.

Trustee Lungmus indicated sidewalks were included in the discussion, but he felt that the sidewalks are all in good shape. Since the Waukegan Road sidewalk is being installed, there isn't a lot more to do going forward. VM Sigman added that all that would be done to the sidewalks going forward is the annual sidewalk inspections for hazards. There will be money for sidewalks, but no program will be established for new sidewalks.

Trustee Terrill asked it's a given that we have to go to the capital markets in order restore the roads. Trustee Lungmus said that in 2024 we will be rolling over a bond issue and he suspects we will be borrowing from a capital source. VM Sigman said the only source we have is designated as MFT funds. We get roughly $140,000 a year and we have about $135,000 of that pledged toward the bond issuance which was the first one that was done. That got us about $1.5 million which is not close to what we need to take care of our roads. She said we went out to the infrastructure referendum in 2016, got authority for another $5 million. So all in, we have about $6.5 million that is necessary to take care of the roadways. With that, we have been able to get to 100% of our roadways, but 100% of the roads have not been resurfaced or reconstructed. We did a comprehensive assessment of the roads. The engineers looked at every road and ranked them as to what they needed and then we programed and did the work. Some needed patching, some resurfacing and some full reconstruction. Moving forward is based on what the last activity was on the roads and what we anticipate the next step is going forward and how we build a model of maintaining those to try to get 25 years of useful life. If the Board likes the general concept, staff could revisit this every year to try and develop a maintenance pattern or approach to maintain the roads. As part of the budget, we would roll this into our capital plan and it would look more like it shows in the report.

Trustee Terrill asked if 50% of the roads in Northfield are private. VM Sigman responded over 50% of the roads in town are either private, county or state. Trustee Terrill said some of the private roads are deplorable. Northfield's roads may be doing well, but our citizens' roads are doing poorly in many cases. He feels that there should be a communications process with the residents. President Frazier suggested advertising the Special Service Area system more, but in the end, private roads belong to the people that live there and sooner or later they come forward.

President Frazier commented that the reclamite, the new process which is a non-coal, tar pavement rejuvenator. She suggested taking a hard look at it before going with that process. She also commented that she is concerned about the motor fuel tax with the rise in electric cars, there won't be as much motor fuel tax as there used to be. She was at a Mayor's Caucus meeting and someone asked Governor Rauner about VMT which is volume mileage tax where the State of Illinois would assess how many miles the car went and tax people on that in order to get the fuel tax.

Trustee Roszak felt it would be helpful to understand the sources of the uses on how we would spend money. We have the $140,000 tax per year and we are paying off the debt service on the bonds. VM Sigman said that was the next step. Staff wanted to see if the Board liked this concept. If the Board agrees with the report, the next step is to put it in a format that actually matches the dates, etc. and she and Director Noble would work on the financial side so if one debt comes off, how it will be rolled over. Trustee Roszak then asked if inflation was taken into consideration such as the cost of 3% a year. It is unrealistic to say it's going to be flat. VM Sigman said that when they put it into the CIP, if the Board likes the approach, it will get imbedded into the capital improvement plan which is a 10 year model which is looked at every year and gets adjusted. Roadwork prices have been down the last couple of years due to low gas and oil prices. Material costs have stayed down. However, it does fluctuate.

Trustee Kaplan said has lived in Northfield for over 30 years and his street was done one time. He feels that the report is too aggressive and too expensive for the Village. He indicated we don't have the funds for this project. His street isn't that bad but to do a cycle of work to make them pristine throughout the Village would be a big mistake. He doesn't have anything against the engineer that put this together, but every time we do work, the engineering firm is making money. So it is in their best interests to keep them as good as possible. He doesn't think it is in the Village's best interests to embark on a program which keeps the streets on this schedule. The prior schedule was that the streets were done when they had to be done, not just to have pristine streets. The motor fuel tax is going down and many are getting hybrids and electric cars and the state is holding back money on all kinds of things. He is more concerned with the bond issue is paid off in five years. The Village should start building up some money to make these repairs in the future. Trustee Kaplan said that when he first came on the Board, he was under the impression that we had multiple sinking funds everywhere and we were putting money away to coincide with depreciation. He would like the Village to go easy on the schedule and put money away due to the big payments in 2033, 2034.

Trustee Lungmus agreed with Trustee Kaplan and said this model has to be dynamic. He said Trustee Kaplan's street may be on a 15 cycle, but it has to be dynamic enough that when we evaluate the street for its condition and may be pushed off for 2-3 years. Once you get streets on a set pattern, people will expect their street to get redone. He doesn't want this to be set in stone, but to have a model that doesn't have flexibility would be problematic. He believes a lot of streets will not need the same program that VM Sigman has been working on which is a 15 year resurfacing program. We don't want to have a commitment in the model.

Trustee Roszak said the report says that some streets will perform differently and this is a moving target. If you don't do this, it is a fact that later when you do fix the roads, you are paying way more. In the end, you will spend more money instead of having an organized maintenance program. Engineering is only about 3% of these projects. VM Sigman said this is a plan that would get reassessed every year. We will schedule a plan for what we think a road will need, but it will be evaluated it before going forward. Trustee Kaplan asked how this is different than what we have been doing. VM Sigman said we didn't have any plan before and just waited until the road was crumbling and people complained. There wasn't any source of revenue to fix them and then we floated the MFT bond to pave as much as we could. Most of the community had roads that were a mess and fully deteriorated which was why we went out for the infrastructure referendum in 2016. Each road was rated; we took core samples, looked at the surface, looked at the subgrade and looked at how the roads were performing and ranked them by what they actually needed as opposed to resurfacing the whole thing. Some just needed certain areas done.

President Frazier said that this topic can be discussed at a future COW meeting if the Board wishes.

<u>Review and Discussion on the Police Pension Actuary – Lauderbach & Amen</u>

Finance Director Steve Noble said Todd Schroeder and Kevin Cavanagh is present from Lauderbach & Amen. Mr. Cavanaugh passed around a condensed version of the tax levy report for the Northfield Police Pension Fund for this year and the GASB report.

President Frazier asked Director Noble to explain why we are going through the process. Director Noble said every year we've retained an independent actuary to look at our pension fund to see how much of a contribution is necessary from the Village the following year. We had the same actuary for 20 some years up until 3 years ago when we brought on Todd and his crew. They look at and apply all the actuarial science principles to our numbers, such as expected life expectancy, disability, death, and when people will retire. They look at what the current salaries are and what they would be next year and the year after and on out into the future. With all the new requirements, such as looking at net pension liabilities that have to be placed back into the audit, there is a great coordination now that the same firm is doing both the audit and the actuary study. There is a firewall between the two sides of the firm. They keep their distance yet it makes coordination so much better because they are able to calculate pension obligations and seamlessly relay that information over to the audit side.

Director Noble continued by saying it was a good year for the pension fund. We had a return on our investments of 7.1% which was better than our assumed rate of 6.75%. The total value of the assets increased $1.35 million last year. Percent funded increased from 58.8% up to the 60.82%. The unfunded liability actually decreased this year. There were no disability claims and one new retirement and one retiree passed away. Most importantly, how this all affects us today is that we will only see about a 1.1% increase in our required contribution this year. We have seen it as high as 9.9% two years ago when there were a lot of changes to the actuarial tables. The report indicates a contribution this year of $1,162,000 and we actually budget it at $1,184,000.

Mr. Schroeder said as Director Noble mentioned it's nice for reaching a period of some stability with respect to the contributions and dollars are going in and investments earnings are coming in. The two things they do for the Village is keeping a close eye on the assumption side of the process and that is everything Director Noble mentioned with respect to retirement rates, disability rates and mortality rates and how they affect this process. They keep everything current on that side of the process. The second thing is talking about funding policies as there are a couple of different ways to pay for pensions over time or assumptions tell us when this fund will pay benefits in the future. They say these are the contributions we want to make towards those benefits. The state has a minimum requirement to put in which is good for short term relief at times for certain communities but not necessarily good for long term funding policies, so they have their recommendations as well.

Mr. Cavanagh indicated what he passed around was a consolidated version of the tax levy report that they prepare each year for the Police Pension Fund. Some of the key results are the current year contribution requirement for the Police Pension Fund of $1,162,137.00 for this year, about a 1.1% increase from last year, or about a $12,000 increase. The funded percentage is measured on an actuarial value assets basis, essentially a 5 year smooth value of the assets – less volatile measure of asset performance compared to a market value. On that basis, they calculated 60.82% funded, going over the 60% threshold. That's the unfunded accrued liability and essentially the difference between the actuarial value of assets and the liabilities currently evaluating for the fund of $12,158,000. The funding policy that is currently in place to the plan is to target 100% funding for the Police Pension Fund in the next 22 years. A large chunk of this year's contribution requirement is paying off some of that unfunded liability amount, the $12 million. This is one year of payment towards the 22 year time that we are targeting. The active member count is at 18 and inactive is at 23. The change in net position, the market value of assets is $17,375,000 as of the prior fiscal year end. Through this fiscal year end of April 30, 2018, the ending net position is $18,725,000 for a total change of just over $1.3 million. A lot of the asset value came from the return on investments of $1,268,000. It was a good year of asset performance. The fund returned 7.1% which is netted administrative expenses versus the expectation of 6.75%. Director Noble added that our return on investments paid all of our benefits for last year.

Mr. Cavanagh then said when they are doing the actuarial valuation; they are trying to predict what will happen in the future. The current benefit payments for the fiscal year ending April 30, 2018 is $1,248,000. They also show what they expect the benefit payments to do in the future. They look at the current fund population, determining when participants will reach that retirement eligibility, making some assumptions and shows that in five years from now, we would expect those benefit payments to go up over $500,000 to land at $1,768,000 which is a 42% increase in the benefit payments. Going five years further into the future we would expect the benefit payments to be $2,169,000, about a $920,000 increase from the current amount of benefit payments, or 74% increase over the current amount.

President Frazier asked considering our unfunded liability, are we well positioned to pay the $2,000,000 expected benefit in 10 years. Mr. Shroeder said when you talk about funded status, the most important issue is what is your funding policy going forward. You may be in a position where you're just above 60% funded on those liabilities, but is there a plan going forward to be able to get to a position where you are fully funding those liabilities. The good news is that because we have that funding policy in place targeting that 100% funding in the next 22 years, you are on a path to be able to pay those. The other positive is that the Police Pension Fund, when you look at the past five years of contributions compared to their recommendations, consistently the Village has been contributing 100% of the actuarial determined contribution. If that pattern continues in the future and you keep the funding policy in place, it wouldn't be a concern to pay those benefit payments. Mr. Schroeder added that when they look at the health of pension funds, the funded percentage tells them where we are at today and then funding policy tells us where are we going forward. Right now, the funding policy is 100% or more has gone into the fund in the last 5 years of contributions. These expected benefit payments are fairly significant increases, but not more than what they see out there with their standards of pension funds in Illinois. Their average for 5 years is about 40% and the 10 year is about 80% increase. As dollars go in and come out, the Village is still on a positive cash flow on an annual basis.

VM Sigman asked if they have a ratio that is built into that explains when the impact of the Tier II. Obviously, blending in when you are starting to see more Tier II versus Tier I employees in the system and how they phase out. Mr. Schroder said they could give her a breakdown of the accounts on the first page of the active members. There are 18 active members now so they could give a breakdown of Tier I versus Tier II and include it in the report. Ultimately, your contribution comes in two pieces; one is having is a payment toward unfunded liability and that's not impacted by Tier II legislation. The second piece is there is a regular annual contribution for active members, so every time we hire a new member to the pension fund, we start contributing on their behalf. Tier II members have a much lower threshold when they are hired in the pension fund for contribution versus a Tier I member. He will show a breakdown of the current Tier I and II members. We expect in most cases, 20 to 25 years to fully complete the phase out of the Tier 1 group and have a full Tier II population which means at least that piece of the contribution for active members would be lower as a percentage of the total payroll for that group than it would be for the Tier I members. Mr. Schroeder said the good side of the legislation is the Tier II costs for that member is fairly reasonable, around 15-18% of the pay as a total cost and they pay 10% from the paycheck and in the balance becomes a Village contribution. The downside is that it didn't do anything on the day that it past with existing liabilities and costs. There is still this unfunded liability we are paying now and the Tier II legislation doesn't help us with that. Mr. Schroeder said typically what they are seeing is that the numbers start to slow down a bit and go further out with projection. You tend to see retirees retiring later.

Mr. Schroeder answered the question of Trustee Terrill about the ideal time to retire by saying that generally, the ideal time from the participant's standpoint is still age 50. In terms of the value, they will get the most value out of the pension fund at 50; however they will be responsible for paying their own medical benefits. Trustee Terrill said he is talking about the police department and retiring and going to another police force for another salary. Mr. Schroeder said there is recent legislation that goes into effect in 2019 that effects going to another department and go into another pension fund. There are new rules which will slow people down. Trustee Terrill asked if we are encouraging early retirement. Mr. Schroeder said they studied this is 2012 and 2016 and have found that people are staying longer. Director Noble added that there are two individuals in deferred status and left before they were 50 to take jobs somewhere else and their pension is waiting to be collected when they are 60. VM Sigman then discussed that this Board set a goal to get to 60% on or before 2023. She thinks we need to re-look at that goal, because we have achieved it and added addition money and changed our investments. We are ahead of a lot of communities. Mr. Schroeder said some communities are hovering around 50 – 52%. The average is 52% funded.

Trustee Kaplan said if we continue funding two each year and we magically earned 7% each year and pay off the benefits we're looking at and people continue to age, whatever assumptions are being made, what will our unfunded liability be then if we continue with a $1.2 million or what's it going to be in 10 years, or behind the curtain, is there something that we don't know and our $1.2 million is going up every year. We don't know that and when talking long range planning, we need to know what's going into this deal. Mr. Schroeder indicated that one of the things they do each year once the process is completed and the Board has had a chance to look at the report and the Police Pension Board has looked at it, they go into a five year projection based on the final results so it will give you some of that information. Trustee Kaplan said we are not seeing the projected unfunded liability, we are seeing what their annual contributions are so we are not seeing the whole picture. This year, the funding we paid in went out the door to pay benefits and if we didn't get the 7% rate of return, we wouldn't have had a 60%, we would be the same as we were before or much lower. He would like to see the whole package. Mr. Schroeder said that unfunded liabilities are in the background of all that information and for purposes of the 5 year plan the contributions are in there, but they can certainly add it. They will put the unfunded liability on there. The contributions are expected to increase every year.

Mr. Cavanaugh said on page 4 shows a more detailed breakdown of where they got the change in contribution from last year to this year. The biggest bucket is the demographic changes for about $37,000 for this year's recommended contribution. These are due to a couple of factors which are located on page 5. One police officer retired, one completed a service purchase and one retiree passed away along with the aging of the population which all led to the reduction. Page 6 shows the impact of each factor on a funded percentage. If everything went according to plan, we would have expected that funded percentage to increase about 1.78% and then it shows the breakdown of each factor the impact that it had on the funded percentage and how we landed to the 60.8%. Page 7 shows the net pension liability for the Police Pension Fund which is $12,544,000 and then shows pension expense.

Trustee Roszak questioned why the amount is different on pages 1 and 7. Mr. Schroeder said that on financial statements, everything has to be marked to market so they use a straight market value of assets for determining the number on page 7 and when it is compared to the actual liability whereas on page 1 incorporates that smooth value of assets over a long term period to smooth out some of the market impacts. Mr. Schroeder said when we talk about the plan funding, the results are shown except the last page. That is the standard that we chose as an actuarial value of assets as opposed to a market value. You would look at the past 5 years of asset performance, the assumption in place for the plan is a 6.75% annual return and will compare what they expected the asset value to be to what it actually ends of being at the end of the year, the difference is the gain or loss for that year and then they smooth it for the past 5 years of gains and losses. Right now there is a small deferred loss which is essentially built into the actuarial value of assets that will be continued to be recognized. Our assets this year earned more than the actuarial return. So that good news is being spread over the next four years and will continue to do that year after year.

Trustee Kaplan said the report mentioned a 7-1/2% salary scale increase in the management summary. Mr. Cavanaugh indicated that was based on actual … what they do is build the salary increases and they look at the wage schedule that was provided and based on the wage schedule, they would expect in the earlier years of employment for employees when they are still seeing 7 increases each year in addition to COLAs to be receiving about the annual 8.59% increase and then in the later years, they just factor in the chance of getting a promotion as well as a COLA increase annual, so long term basis is closer to 4%. The figure Trustee Kaplan mentioned is in the management summary. They look at the population and they are giving a rough impact of what they are seeing in terms of the population for an annual increase for some of the fund members. They saw the majority of the fund members, over half of them, received the increase of about 7-1/2% which is slightly above what they would have expected which had a minor impact on the contribution of an increase of the recommended contribution of about $5,000 compared to what they would have expected based on the wage schedule and COLA. They use a different assumption for each year of service. In the earlier years, they use a higher percentage due to step increases that are built into the wage schedule for police and in the later years they assume 4%. Director Noble noted that last year there was a wage adjustment of 2-1/2%, but there are a number of new employees and the step increases, and there is a 6% difference between each of the steps. So when someone gets a step increase on top of the 2-1/2% and that carries on through the first five years. VM Sigman added that the police personnel are paid different than anyone else.

Review of Discussion of the Draft 2017/2018 Audit – Lauderbach & Amen

Director Noble introduced Ron Amen and said the process went well this year. Lauderbach & Amen have a very professional staff and do a great job. He pointed out that they refer to the audit as a comprehensive annual financial to report. It includes a lot of things that other audits don't have. There is a lot of information, transmittal letter, management discussion and analysis of our financial condition and statistical information. The transmittal letter gives a good overview of how the year ended. Page 10 of the report highlights and confirms a deficit in the General Fund of $223,970.00 which was not due to any overspending or exceeding the budget. Actual expenditures came in $70,000 under budget in the General Fund. With that deficit, it brings our unassigned fund balance to about $6.6 million which represents about 7-1/2 months of operating expenses. It is still in excess of the Board's goal of maintaining 6 months of unassigned fund balance. President Frazier asked if the deficit is from permits. Director Noble indicated it is. He pointed out that in the past, he has asked Lauderbach & Amen to increase the scope on VM Sigman and him as far as looking over all of their transactions, payroll and credit card bills. In the Board's packets are communications with the auditors, one is staff's representation letter which explains what they have done to make sure the auditors have all the information necessary to complete the audit and also includes the management letter. There weren't any recommendations for the future.

Mr. Amen indicated that in the introductory section of the report, page viii, Northfield has for the 11th year in a row received the Certificate of Achievement. This is a very prestigious award in the audit world. It goes to the GFOA (Government Finance Office Association) and goes through three levels of review. In the financial section, pages 1 and 2, which is auditor's opinion, all units of government by Illinois statute are required to have an auditor's opinion. Their opinion is clean or unmodified. This is the only opinion you want. Based on our auditing procedures, the financial statements are materially correct. On pages 10 and 11 are the governmental funds which are on this modified accrual base of accounting and he will walk the Board through what happens to the Village. The third line up from the bottom in the far right column on page 11 shows a $2,084,000 increase and this is a positive increase in the fund balance in this modified accrual base of accounting of the governmental funds. Page 12 attempts to take the modified accrual and it goes down to full accrual accounting and takes in all aspects of accounting not just the government way of looking at it and the number at the bottom is a decrease of $1,156,000. You can see that the Village issued about $5 million in bonds which decreased the fund balance. This is a long term liability. When you start doing capital projects, you pay for the projects by issuing debt. Page 15 contains the Water and Sewer Fund which had a positive increase of $429,000 in the net position of the fund. Mr. Amen indicated that the revenues exceeded the expenditures which were budgeted that way. The fund had a positive year. Page 86 shows details of the revenue of about $90,000 over budget and the expenditures came in line for what the budget was. Director Noble added that it has a lot to do with the capitalizing of the fixed assets.

President Frazier noticed that the expenditures were down and appreciates all the department's efforts to do that.

Trustee Kaplan asked for the government wide financial analysis and management discussion on page 6. He said it looks to him that this measures the whole Village, and asked if that is what it is doing. Mr. Amen indicated that anything in the MD&A is like cliff notes and anything in the MD&A, the numbers are somewhere else in the audit. What is on page 6 takes a snapshot of activity for the 12 months, revenues and expenditures and puts them into this year and last year and then puts them into the government column, the business type and the total. So it's a snapshot of the 12 months of revenues and expenditures across the two different fund types and then it compares this year and last year. Director Noble went on to say charges for services are where the permits are located is down this year. Trustee Kaplan said his focus in on the bottom where it says "net position ending" where it went from $16.7 million to $14.4 million. That makes a $2 million slip. Mr. Amen said there are two different components – one is on page 5 and 6 of the audit, not in the MD&A, but across the governmental and business type there was a $726,000 decrease. The second piece of that is that there was a restatement due to the actuary people to talk about the new MD&A and benefits that are a part of this calculation. The other post employment benefits is, to be in place this year, the number that came in, there was a restatement in the fund balance on page 6, the second line up from the bottom. The Village had a decrease in the governmental net position of $1,156,000. In the 2018 column for the business types, there was a positive increase of $429,000, so those two numbers together is $726,000 decrease. Another component of the decrease is because the fund balance was restated because of GASB 75 which is a calculation of other post employment benefits which was a new GASB pronouncement for this year. Trustee Kaplan then said we have a long term liability that has been restated and added $1.5 million more to our liability this year than last year. Mr. Amen said yes, but the restatement was $1.4 million as shown on page 45. Director Noble stated that it is a new pronouncement from GASB and it was in last year's management letter that recommended that we implement that this year. Mr. Amen added that the GASB and restatement has been in their management letter for the last three years, and this is the first year it was implemented. The decrease of the $1.1 million that is a full accounting level and everything that is budgeted and done on a monthly basis is under that modified accrual. At page 12, he said the governmental level you had a $2,084,000 increase fund balance and that is how the Village budgets and keeps its books. The auditors come in and make adjustments to get that number to a full accounting. When you look at page 6, the $1.1 million is a decrease in the governmental is because of the full accrual basis accounting. Director Noble wouldn't have those numbers until they come in and do the audit.

Director Noble then asked Mr. Amen if the expense that was booked and the restatement is the implicit cost of our health insurance. We provide health insurance to our retirees which we don't pay for – they pay 100% of the premium, so we don't contribute anything, but GASB, the governmental accounting standards board has said there is an implicit cost of providing that insurance to the employees. The Village doesn't have any say in it because IMRF requires it and so does the Police Pension. There isn't a dollar cost it is an accounting standard. Because retirees are in the plan, it brings up the average cost of the whole plan and there are rules on how to capture that as a liability reported. It is not expenses incurred and not expenses we will be paying out. It is an implied cost.

Adjourn to Closed Session

Trustee Lungmus made a motion, seconded by Trustee Roszak to adjourn to Closed Session to approve Closed Session meeting minutes from the June 19, 2018 Village Board Closed Session meeting pursuant to 5 ILCS 120/2(c)(21) and to discuss the audit internal controls and fraud risks pursuant to 5 ILCS 120/2(c)(16).

Trustee Terrill made a motion, seconded by Trustee Lungmus to return to Open Session.

Other Business

None.

Adjournment

There being no further discussion or issues to come before the Board, Trustee Goodwin made a motion, seconded by Trustee Terrill to adjourn the meeting.

The meeting adjourned at 7:05 p.m.