

Minutes of the Finance Committee Meeting

The Finance Committee of the McLean County Board met on Tuesday, July 2, 2002 at 5:30 p.m. in Room 700 of the McLean County Law and Justice Center, 104 W. Front Street, Bloomington, Illinois.

Members Present: Chairman Sorensen, Members Arnold, Berglund, Kinzinger, Rodman and Renner

Members Absent: None

Staff Present: Mr. John M. Zeunik, County Administrator; Mr. Terry Lindberg, Assistant County Administrator; Ms. Lucretia Wherry, County Administrator's Office; Mrs. Carmen I. Zielinski, County Administrator's Office

Elected Officials/

Department Heads: Mr. Don Lee, Director, McLean County Nursing Home; Ms. Ruth Weber, County Recorder; Mr. James Boylan, County Treasurer; Ms. Becky McNeil, Assistant County Treasurer; Ms. Peggy Ann Milton, County Clerk; Ms. Maria Pascua, Deputy County Clerk; Mr. Walter Hunt, Internal Auditor

Others Present: Ms. Helen Barrick, Clifton Gunderson, LLP; and Mr. Chris Atkinson, Clifton Gunderson, LLP

Chairman Sorensen called the meeting to order at 5:30 p.m. The minutes of the June 4th and June 22nd, 2002 Finance Committee meetings were accepted and placed on file as presented.

Mr. Don Lee, Nursing Home Administrator, presented the Monthly Report. Mr. Lee stated that the statistics show a deficit month, but he anticipates that July will be a positive month since, as of today, 135 beds are occupied.

Mr. Kinzinger asked if nursing retention was still presenting a problem for the Nursing Home. Mr. Lee answered that at the present time, there are two openings for nursing personnel. Applications are being received, but the market is still tight.

Mr. Lee commented that the Governor of Illinois reduced Nursing Home rates by 5.9%. On an annual basis that figure amounts to \$136,000.00 from the Medicare Population based on today's census. Mr. Lee noted that offsetting this decrease of funds are intergovernmental transfers that appear to be on track. Mr. Lee attended a Nursing Home Association meeting last month and there is a potential that Central Illinois Nursing Homes may share in the funds. More details on the requirements for participation should be coming in the future.

Ms. Ruth Weber, County Recorder, requested Approval of an Emergency Appropriation Ordinance amending the McLean County Fiscal Year 2002 Combined Annual Appropriation and Budget Ordinance County General Fund 0001, County Recorder's Office 0006, County Recorder's Document Storage Fund 0137. Ms. Weber explained that at the February Finance Committee meeting, the Committee agreed to provide the Recorder's

Office with an additional temporary employee to help handle the high volume of documents coming through the office. At this time, Ms. Weber would like to continue the employment of the temporary staff. The money for the salary of this temporary employee would come from the GIS fees in the Recorder's Document Storage Fund.

Motion by Rodman/Renner to recommend approval of an Emergency Appropriation Ordinance amending the McLean County Fiscal Year 2002 Combined Annual Appropriation and Budget Ordinance County General Fund 0001, County Recorder's Office 0006, County Recorder's Document Storage Fund 0137. Motion carried.

Ms. Weber presented the Office Activity and Revenue Report. Ms. Weber stated that for the first six months of 2002, 1,005 more documents were recorded than during the first six months of 2001. The Recorder's Office has brought in over \$1 million representing an increase of \$226,000.00 over last year.

Mr. James Boylan, County Treasurer, presented for acceptance and review the County Treasurer's Report as of June 30, 2002, the County Treasurer's Investment Report as of June 30, 2002 and the County Treasurer's Employee Benefit Report for Second Quarter of Fiscal Year 2002. Ms. Becky McNeil, Deputy County Treasurer, discussed the Summary of ROT, State Income and Personal Property Replacement Tax Revenue (PPRT). Ms. McNeil stated that the summary was prepared to assist the County Administrator and the Assistant County Administrator. The Fiscal Year 2002 Retailers Occupation Tax Revenue budget revenue is \$2,445,222.00, which represents 47.73% of the budget. The Fiscal Year 2002 State Income Tax Revenue stands at \$743,399.00 or 52.15% of budget.

Mr. Arnold asked if the cluster of numbers for the Year 2001 was provided for comparison. Ms. McNeil answered that was correct. She explained that she documented each month separately. Ms. McNeil noted that this report will not be provided on a monthly basis, it was provided today as a forethought to the budget season that is coming. It demonstrates that on the State Income Tax, the County will not receive the budgeted amount. Another revenue source that is being retained by the State, as of July 1, 2002, is the Photo Processing Tax.

Chairmen Sorensen referred to the Revolving Loan Fund Semi-Annual Report. Ms McNeil explained that the County was down to just two outstanding loans and two loans were paid off in the first part of 2002. Ms. McNeil did note that Victory Enterprises is presently listed as delinquent. Ms. McNeil stated that she talked to Busey Bank, which holds a \$250,000.00 loan on Victory Enterprises. Victory Enterprises was up to date with Busey Bank.

Ms. McNeil contacted Victory Enterprises and was informed that the non-payment was an oversight and was sending two payments right away. In the future, the Treasurer's Office will be mailing out notices to him after his account is ten days past due.

Mr. Rodman asked if the Statement of Revenues, Expenditures, and Fund Balance report shows all of the revenue and expenditures. Ms. McNeil explained that the County payroll was not posted to that report yet. The revenue should be up-to-date, unless there was some revenue that had not been accrued. Mr. Zeunik noted that the County Auditor's Office holds line items open until the 10th day of the month to accommodate any expenses that need to be charged back against June, 2002.

Motion by Kinzinger/Berglund to accept and place on file the County Treasurer's Report as of June 30, 2002, the County Treasurer's Investment Report as of June 30, 2002 and the County Treasurer's Employee Benefit Report for Second Quarter of Fiscal Year 2002. Motion carried.

Ms. Peggy Ann Milton, County Clerk, presented the Comparison of Fees Report for Fiscal Year 2001 and Fiscal Year 2002. Ms. Milton noted that as of June 25, 2002, the fees collected have increased to \$43,408.00. Ms. Milton asked the Finance Committee if they would like to continue receiving this specific report on a monthly basis. The Committee agreed to discontinue receiving this report.

Ms. Milton informed the Committee that she was nominated to serve on the Board of the National Organization of County Clerk and Recorders. The swearing-in ceremonies are in New Orleans, Louisiana this month.

Ms. Jackie Dozier, County Auditor, reported on the Petty Cash Audit. Mr. Walter Hunt, Internal Auditor was present to answer any questions.

Mr. Arnold asked if personal checks were being cashed through the petty cash accounts. Mr. Hunt answered that from what he saw, no one was using the petty cash accounts for check cashing. Mr. Arnold wondered if the recommendations and conclusions made by the Internal Auditor were well received by those involved. Mr. Hunt answered that as far as he knows, the recommendations and conclusions have been accepted. He stated that E-911 closed their petty cash account. The other department assigned one person to the petty cash box in order to maintain control on the accessibility. Mr. Arnold would like for Mr. Hunt to keep the Finance Committee informed on this issue.

Chairman Sorensen asked how often the Auditor's Office conducts audits of other departments. Mr. Hunt answered that last year, he completed six audits. In 2002, he plans to audit all the departments. In the future, he will audit the departments twice a year.

Mr. Kinzinger asked for clarification of the points documented on Page 17 of the Committee Agenda, specifically Points 2, 5 and 6. Mr. Hunt answered that on Point 2 – Highway Department, two receipts had identical receipt numbers. Inadvertently, an employee was reimbursed twice for a total of \$3.00. The matter has been properly handled and the money has been paid back. On Point 5 – MetCom Department, their petty cash was still short and

measures need to be taken to bring this account to its proper figure. On Point 6 – Mr. Hunt answered that E-911 was the Department that closed their petty cash box account.

Mr. John Zeunik, County Administrator, discussed the Report by Representatives of Clifton Gunderson regarding their Audit for the County's Fiscal Year which ended on December 31, 2001. Mr. Zeunik introduced Ms. Helen Barrick and Mr. Chris Atkinson of Clifton Gunderson, LLP.

Ms. Barrick stated that the letter presented to the Committee includes information about significant matters related to the audit of the General-Purpose Financial Statements of McLean County for the year ended December, 2001. This report should assist you with the Committees oversight responsibilities of the financial reporting process and to help comply with Clifton Gunderson's professional responsibilities to the County Board.

Ms. Barrick stated that the Financial Statement Structure will not be explained tonight because it has not changed from the past years. Ms. Barrick noted that the Financial Statement Structure will be changing in two years due to the impending GASB 34.

Ms. Barrick referenced the "Opinion" pages of the Financial Section of the document. She stated that this is the only part of the Financial Section that refers to the Outside Auditor. Ms. Barrick noted that McLean County's Opinion this years is an "Unqualified Opinion", which means that the County's financial statements are clean and fairly presented. As pointed out in the past, the financial statements of the Public Building Commission (PBC) are not audited by Clifton Gunderson. Clifton Gunderson draws opinion from these financial statements. The one additional difference noted in the Opinion this year is that in the current year the County adopted Government Accounting Standard, Statement No. 33. This statement established the requirements for recognition of revenues related to non-exchange transactions, such as most taxes and grants. The cumulative effect of this change in accounting for non-exchange transaction, which was determined as of January 1, 2000, was to increase the General Fund's fund balance by \$139,138.00. Additionally, Ms. Barrick stated, as a result of adopting this statement, the County has recognized the taxes levied in the current year to be collected in the ensuing year as receivable assets, net of an estimated uncollectible portion, and deferred the tax revenue in an equal amount, since the County has an enforceable lien on property at year end, but the taxes are intended for budget purposes to be used in the ensuing year.

Ms. Barrick referred to the General Fund, Pages 45-46 of the Financial Statement book. The General Fund is the major operating fund for the County. As in the past, the financial statements are comparative in nature. Ms. Barrick pointed out the Schedule of Revenues, Expenditures and Changes in Fund Balance, Page 46, includes the Risk Management Fund and Employee Benefit Fund. These two funds must be reflected as Internal Service Funds or must be combined within the General Fund for reporting purposes.

Ms. Barrick noted that the General Fund lost \$346,823.00. Overall, actual revenues were \$24,057,560.00, compared to an amended budget of \$23,666,584.00, representing an increase. Additionally, actual expenditures were \$25,994,290.00, compared to the

amended budget of \$26,728,373.00. Ms. Barrick explained that what accounted for the net change is the difference of actual revenues to actual expenditures.

Ms. Barrick clarified the revenue line further. She explained that looking at the General Fund account only, taxes increased \$260,000.00 compared to last year. Of that \$157,000.00 was for property taxes. Within the General Fund, the rate dropped 4/10 of one cent, as a result of an increase of \$126 million in assessed valuation. The Retailer's Occupation Sales Tax, increased by \$83,000.00 and state income tax increased by \$19,000.00. Licenses, Permits, Fees and Fines increased \$747,600.00. Ms. Barrick noted that the Recorder's Office saw a collective increase of \$268,000.00 for copy fees, recording fees and revenue stamp sales. In the Circuit Clerk's Office, the collective increase was about \$470,000.00.

Ms. Barrick referred to the Intergovernmental Line Item. The Intergovernmental Line Item increased by \$101,000.00, in comparison to last year's figure of \$3,816,245.00. Personal Property Replacement Tax stayed about the same. Inheritance Taxes, that are included within the Intergovernmental Line Item, decreased about \$200,000.00. This is something that McLean County has no control over. Also included in the Intergovernmental category is the SHOWBUS revenue. Ms. Barrick noted that there was a reduction for the election reimbursement to the County Clerk and the State's Attorney's Office showed an increase of \$130,000.00 through grants. Juvenile Detention grants increased by \$53,000.00.

Mr. Rodman referred to the Intergovernmental Category and the Inheritance Tax. At the County level, Mr. Rodman asked if the Inheritance Tax was impacted by the proposed Federal Law changes. Ms. Barrick stated that the Federal Law changes refer to sharing of portions. Neither Ms. Barrick nor Mr. Zeunik were familiar with this topic and will have to look into this further.

Ms. Barrick explained that the Charges for Services Line Item decreased \$68,000.00 due to a Multiple Year Recognition of a Bond Fee Revenue in the year 2000. There was some dispute as to whether that revenue should be recognized or if it was a proper revenue for the County, and once that was settled the County received the multiple year revenue funds of about \$189,000.00. In 2001, that multiple revenue figure was only \$87,000.00, representing a \$102,000.00 difference. The Interest Line Item, Ms. Barrick explained, decreased \$187,000.00 primarily due to the low interest rates environment. The Miscellaneous Line Item increased about \$60,000.00 due to the transaction with the Public Building Commission. There was about \$100,000.00 transferred into the County due to the transaction with the Public Building Commission for the purchase of the Government Center.

Ms. Barrick referred to the Tort Judgement and Employee Benefits Funds in Page 46, Tort Judgment ended Fiscal Year 2001 with a positive fund balance of \$204,640.00. The Employee Benefit Fund ended the year with a fund balance of \$657,502.00. The End of Year total fund balance was \$4,453,585.00, which represents 18% of the General Fund

Total Expenditures in Fiscal Year 2001. The fund balance in the General Fund decreased by \$337,863.00 over the year's end balance for Fiscal Year 2000.

Mr. Arnold asked what the "Benchmark" for General Fund unencumbered fund balance. Ms. Barrick answered around 15%. Mr. Zeunik added that 1) the General Fund is one of the few unrestricted funds. The fund balances of other funds cannot be used for other purposes. On the Balance Sheet, under General Fund Assets, the fund balance shows \$4,453,585.00, but the Cash figure at the top is only \$1,719,391.00. Ms. Barrick pointed out that the Cash Line Item was down \$900,000.00 in the General Fund from last year due to the receivables that exist. It was Ms. Barrick's opinion that the County's General Fund was in a stable position. The Cash flow has to be monitored closely.

Ms. Barrick stated that the Social Security Fund had an end of the year deficit that needs to be remedied, and the Court Security Fund continues to have a deficit.

Mr. Arnold asked if there were any Special Purpose Funds with more money in them than they actually need. Ms. Barrick answered that was a category that was hard to predict and judge because the fund balances could be high one month, but then spent by the next month.

Chairman Sorensen concluded that at this point the Finance Committee thanks Clifton Gunderson for the audit report and accepts and places the report on the table for public view, and directs the Administrator's Office to forward the Management Letter to all mentioned Department Heads so they can prepare a written response to the Management Letter.

Motion by Kinzinger/Arnold to direct the Administrator's Office to forward the Management Letter to all mentioned Department Heads so they can prepare a written response to the Management Letter and to accept and place the reports out on the table for public view.
Motion carried.

Mr. Zeunik informed the Finance Committee that the Justice Committee recommended approval of accepting several grants for the Children's Advocacy Center. As a result, there are some nominal changes to the Full-Time Equivalent Resolution. Mr. Zeunik stated that with the consent of the Finance Committee, the amendments to the FTE Resolution will be included in the Board Packet so they may be considered for approval concurrently with the Grant. The Finance Committee gave their unanimous consensus.

Chairman Sorensen stated that at 7:00 p.m., a Public Hearing will be held regarding the Tax Caps Issue. A public notice was issued. The public notice stated that speakers would

be allowed 5 minutes to talk and they needed to contact the Administrator's Office in advance of the public hearing. Currently, there are nineteen names on the speaker list.

Chairman Sorensen suggested that around 8:00 p.m. a break be scheduled. At that time, the members of the Finance Committee huddle and discuss the ending time of this public hearing and if there is a need for a public hearing on July 18, 2002.

Mr. Arnold asked how the five-minute limit was being controlled. Chairman Sorensen answered that there would be a timer that would notify the Chairman of the time available. Chairman Sorensen clarified that the Finance Committee members can ask brief, specific, clarifying questions. Chairman Sorensen cautioned the Committee to be very careful as to what is asked so as not to invite any debate.

Chairman Sorensen stated that the time to talk about the Tax Cap Issue would be at the Committee meeting in August. A detailed public record will be accumulated and available to the Committee before the August County Board meeting. A Court Reporter has been scheduled for both public hearings.

Chairman Sorensen informed the Committee that an attorney with Chapman and Cutler, a law firm from Chicago that specializes in public finance, will be present at the beginning of the public hearing tonight. Chapman and Cutler will have a 20 to 30 minute presentation explaining the tax cap law in Illinois. The Finance Committee can ask questions of the attorney.

Chairman Sorensen presented and recommended payment of the bills as submitted by the County Auditor.

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Motion by Kinzinger/Renner to recommend approval of the bills as presented by the County Auditor. Motion carried.

There being nothing further to come before the Committee at this time, Chairman Sorensen adjourned the meeting at 6:35 p.m.

Respectfully submitted,

Mrs. Carmen I. Zielinski
Recording Secretary

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