

Minutes of the Finance Committee Meeting

The Finance Committee of the McLean County Board met on Tuesday, July 3, 2001 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 Renner, Rodman, Arnold, Kinzinger, Berglund

Members Absent: Member Renner

Staff Present: Mr. John Zeunik, County Administrator; Mr. Terry Lindberg, Assistant County Administrator; Ms. Lucretia Wood, Human Resources Assistant, County Administrator's Office

Elected Officials/

Department Heads: Mr. James Boylan, Treasurer; Ms. Rebecca McNeil, Assistant Treasurer; Mr. Don Lee, Administrator, McLean County Nursing Home; Ms. Ruth Weber, County Recorder

Other: Ms. Helen Barrick, Clifton Gunderson, LLP; Mr. Ron Hilton, Clifton Gunderson, LLP

Chairman Sorensen called the meeting to order at 5:32 p.m.

Chairman Sorensen stated that if there are no objections, the minutes of the June 5, 2001 meeting will be approved and placed on file as presented.

Ms. Ruth Weber, County Recorder, presented the Six Month Report and General Report for the County Recorder's Office. The office is very busy with a 24% increase in documents over the same time period last year. Year-to-date the office has processed 21,286 documents. This is the second highest 6 months in the history of the office. The increase is expected to continue due to the number of homeowners refinancing, buying and selling of property and liens. A temporary employee has been hired for the summer to help with data entry.

Mr. Rodman arrived at 5:36 p.m.

Mr. Don Lee, Administrator, Nursing Home, presented the Monthly Report and the General Report for the County Nursing Home. Mr. Lee noted that the Nursing Home revenue minus the expenditures for the month of May and year-to-date are both in the "black". The census is up, averaging 138 residents. As of today, the census is at 141 with three residents that are preparing to leave.

Chairman Sorensen noted that information is provided in the packet regarding the daily rate for the private pay residents. Chairman Sorensen noted that Mr. Lee has also included a recommendation to increase the private pay rate to \$102.00 per day. The recommendation states that if the adjustments in salary and the low census rate would have been known at budget time last year, a different cost basis would have been used to calculate the daily rate. The rate would have been \$102.68 per daily.

Chairman Sorensen stated that the Committee has two issues for consideration. The Committee could make a mid-year change in the daily private pay rate, which is consistent with the Board's adopted budget policy resolution. Or the Committee can decide to change the budget policy in order to change the way the private pay rate is calculated.

Ms. Berglund asked if the current rate is \$99.00. Mr. Lee replied that it is \$99.00. Ms. Berglund asked if the census will rise in the fall. Mr. Lee replied that it has been increasing, but the census is unpredictable.

Ms. Berglund asked if it would be unusual to increase the private pay rate in the middle of the year. Chairman Sorensen stated that a mid-year increase is unusual, but there have been unusual circumstances this year. The proposed private pay rate adjustment is consistent with the Budget Policy and reflects the salary adjustments made earlier this year.

Motion by Berglund/Rodman to recommend approval of a mid-year increase in the daily private pay rate to \$102.00 per day effective September 1, 2001.

Mr. Rodman stated that he would like to continue discussing adjusting the Budget Policy to allow for a change in the way the daily rate is calculated for private pay individuals prior to the completion of the FY'2002 budget review process.

Mr. Lee stated that notice would be sent out regarding the increase in the daily private pay rate effective September 1, 2001. The Nursing Home is required to give the residents 30 days notice of any change in the rate structure.

Motion carried.

The Committee decided that the discussion regarding the Budget Policy will be scheduled when all members are present. Chairman Sorensen stated he has concerns on readjusting the formula based on the average of the other nursing homes. He suggested building a formula based on costs plus a percentage based on the internal operating expense experience.

Mr. Rodman stated that currently, the Nursing Homes bases the daily rate on the assumption that a certain amount of money will be transferred from the IMRF/FICA Fund. Mr. Lee explained that the daily private pay rate is based on actual expenses, not on revenue expected to be received from other funds. Mr. Rodman stated that IMRF/FICA are not considered as a cost to the Nursing Home. Mr. Lee explained that IMRF and Social Security are included in the expenses before the daily private pay rate is calculated. Mr. Rodman stated that IMRF/FICA are used to contribute to the Nursing Home's income. Mr. Rodman stated that he would like to reduce the amount of property tax supported funds that are used to support the Nursing Home. Mr. Rodman suggested that the County Nursing Home should charge around the same amount for the daily rate as other area nursing homes do. Ms. Berglund stated that the County Nursing Home is not a private business. Mr. Rodman stated that there are individuals that are there by choice and the County is subsidizing their fees.

Mr. Kinzinger stated that the Committee has to decide on the philosophy of the County Nursing Home. He asked if the Committee if they wanted to discuss it now or at a later date when all the members of the Committee are present. The Committee decided to discuss the daily private pay rate formula during the FY'2002 Budget review process.

Mr. Terry Lindberg, Assistant County Administrator, presented a request for approval of a Resolution Amending the Funded Full-Time Equivalent Positions Resolutions for FY'2001. The Children's Advocacy Center was notified on June 28, 2001 that the Center would receive an \$18,000.00 increase in one of the Center's Illinois Department of Children and Family Services grant funding sources along with other changes in the grant. The original request was for .5 FTE Case Manager and a .5 FTE Office Support Specialist. Subsequent to mailing the agenda, Ms. Larkin has asked to withdraw the Office Support Specialist and request only the .5 FTE Case Manager. The cost of the .5 FTE Case Manager from July 1, 2001 to the end of the year will be less than \$9,000.00. The office currently has 3 Case Managers with a large caseload growth.

Chairman Sorensen stated that the request is budget neutral. Some funding will be for next year. Mr. Lindberg explained that the grant runs on the State fiscal year.

Mr. Arnold asked if .25 FTE is representative of a half-time person for one half of the year. Mr. Lindberg stated that is correct.

Motion by Kinzinger/Berglund to recommend approval of a request for a Resolution Amending the Funded Full-Time Equivalent Positions Resolutions for Fiscal Year 2001. Motion carried.

Mr. Rodman asked that the .5 FTE Case manager be made aware that the position is grant funded and could end with the termination of the grant.

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Chairman Sorensen noted that item 3(C) (1) (a) William Gamblin, E-911 Administrator was accidentally included on the Finance Committee agenda.

Ms. Rebecca McNeil, Assistant County Treasurer, presented the County Treasurer's Report as of June 30, 2001, the Investment Report as of June 30, 2001 and the Employee Benefit Fund Report as of June 30, 2001.

Ms. McNeil stated that many Certificate of deposit matured last month. Interest rates for 12 month Certificate of deposit are averaging 4%. The Illinois Funds money market rates are currently payer higher interest rates than local financial institutions. Therefore, the Treasurer's Office has transferred money into the Illinois Funds until better interest rates are available.

Mr. Arnold asked if the Illinois Funds are guaranteed by the Illinois State Treasurer's Office. Ms. McNeil replied that it is guaranteed by the Treasurer's Office.

Mr. Arnold asked why so much cash is on hand and not remitted to the local taxing authorities. Ms. McNeil explained that the cash on hand is McLean County's portion of the property taxes. A final distribution of the first installment property taxes was made on June 23, 2001. At that time, 94% of the property taxes were collected. Mr. Arnold asked if 94% was low for first installment. Ms. McNeil replied that in comparison to last year, the distribution was right on target. Mr. Boylan stated that after second installment, there are typically 4% of properties that are published for sale and 1.5% of properties actually reach the sale.

Mr. Arnold asked if it is typical for the Nursing Home to have \$2.6 million dollars on hand. Mr. Zeunik replied that the Nursing Home is allowed to have a larger fund balance because the Nursing Home is an Enterprise Fund. Depreciation is captured ever year. The County Board Policy views the balance in the Nursing Home as retained earnings that can be used for capital replacement.

The Committee next reviewed the Employee Benefit Fund. Ms. McNeil stated that in the month of June, there were no HPA claims.

The Committee reviewed the County Treasurer's Report. Ms. McNeil stated that revenue is down from last year. There are grants where revenue has not yet been received. Expenditures are up due to the structural increases approved in the budget for health insurance and salary increases.

Mr. Arnold asked if the Treasurer's Office was continuing to pursue direct withdrawal from checking accounts for property tax payments. Ms. McNeil replied that she is working with the Illinois Funds this month. Illinois Funds has a program called E-Pay.

The taxpayer can go directly to the Illinois Funds web site to pay property taxes. There is a transaction fee included in this program. Other Counties are using E-Pay. The contact person for the Illinois Funds E-pay system is out of the office. Ms. McNeil advised the Committee that she will request a meeting with the contact person.

Mr. Arnold stated that he didn't want to see a fee connected to the use of the web site. Many companies have a discount for the use of E-systems. Mr. Arnold stated that he does not want to see the County charge a fee, when many people expect a discount when paying electronically. Ms. McNeil stated that there may be a way for the County to absorb the fee, or the Treasurer's Office may find other options available. Mr. Kinzinger stated that he would prefer to see that there is no fee attached to using an automated system, however, when there is third party software involved, the software fine has to be paid. Mr. Rodman stated that if it is a small fee, the property tax owner may find that it is worth it to pay the fee and send the payment electronically.

Ms. McNeil stated that she is concerned that there may be a fee involved in using the Illinois Funds E-Pay system. With this system, either the County would have to absorb the fee or the property owner would have to pay it. Mr. Kinzinger asked how it would effect personnel in the office. Ms. McNeil replied that she was not sure. The Treasurer's Office is going to work with Information Services on the program to make sure that E-Pay would be efficient and not cause an increase in the Treasurer's Office's work load.

Motion by Arnold/Renner to accept and place on file the County Treasurer's report as of June 30, 2001, the Investment Report as of June 30, 2001 and the Employee Benefit Fund Report as of June 30, 2001. Motion carried.

Mr. John Zeunik, County Administrator, presented the Outside Auditor's Report for Fiscal year 2000. Mr. Zeunik introduced Ms. Helen Barrick, Managing Partner, Clifton Gunderson, LLP and Mr. Ron Hilton, Audit Manager, Clifton Gunderson, LLP. Ms. Barrick stated that Mr. Hilton is the manager on the engagement, she is the partner on the engagement. The Committee should have received four documents, the Compliance Report, Comprehensive Annual Financial Report, Management Letter and the Auditor's Responsibility Letter.

The Comprehensive Annual Financial Report is divided into three sections. The first section is the Introduction, the second section is the Financial Statement section and the third section is the Statistical section. The Letter of Transmittal is included in the introduction. The Financial Statements Section includes the outside auditor's opinion, the combined financial statements of McLean County, the notes to the financial statements, and all the combining and individual financial statements and schedules. The Statistical Section is a variety of tables, most of which present data or demographic and financial information for the last years.

Ms. Barrick explained that the Auditor's responsibility letter states that the function of the auditor is to express an opinion as to the fairness of the financial statements in accordance with generally accepted accounting principles. As in the past, the financial statements of the Public Building Commission were not part of the external audit. However, those financial statements have been included and references are made as to how the outside auditor receives the audit of the Public Building Commission. The opinion is unqualified. This indicates that the general-purpose financial statements are presented in accordance with generally accepted accounting principals. This is the best opinion the County can have.

Following the opinion are the basic financial statements, which includes a lot of supplementary information. Pages 3-6 are the Combined Balance Sheets. Pages 7-8 are the Combined Statement of Revenues, Expenditures, and Changes in Fund Balance. Pages 9-10 are the Combined Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual for Governmental Funds. Pages 11-12 are the Combined Statement of Revenues, Expenditures, and Changes in Fund Equity for Proprietary Funds. The Enterprise Fund is a Proprietary Fund type. Pages 13-14 are the Statement of Cash Flows for the Proprietary and Trust Funds. The notes for the General Purpose Financial Statements are on pages 15-40.

Mr. Arnold asked if the County funds are reported on a cash or on an accrual basis. Ms. Barrick replied that the financial statements in this report are presented on an accrual basis. He asked if the Unreserved/Undesignated Fund Balance of \$20, 854,966.00 on page 6 was cash or not. Ms. Barrick replied that the fund balance is the difference between the net assets minus the liabilities. This figure is not cash. This financial statement includes all revenue; sale tax, income tax, fees and fines, minus all expenditures. This equals the County's net worth. Mr. Arnold asked if this represents advance taxes collected from tax payers. Ms. Barrick replied that at year-end, in the General Fund, the County has accrued \$4.5 million in equity.

Ms. Barrick asked the Committee to turn to page 46, the Statement of Revenues, Expenditures and Changes in Fund Balance for the General Fund. Three funds are combined to create the General Fund under generally accepted accounting principles. At year-end, the County has \$4,599,000.00 in the General Fund Balance. This amount represents 20% of the County's General Fund Expenditures. All property taxes are included in that amount. No further property taxes will be collected until June 2001. The County relies on sale tax, income tax and personal property replacement taxes each month. Mr. Arnold asked if the County has enough cash on hand as of December 31, to cover 20% of the year. Ms. Barrick replied that on page 45, there is only \$2.6 million in cash, which is 11% of the expenditures for the year.

Mr. Arnold asked what is the Special Revenue fund. Ms. Barrick replied that there are many Special Revenue funds. On pages 54-56, there is a listing of all the Special Revenue Funds. The combined total of the Special Revenue funds included in the Financial Statements. The balance sheets for these funds can be found on pages 57-64. Starting on page 73, there is an Income Statement for every Special Revenue Fund. The Income Statements compare fiscal year 1999 to fiscal year 2000.

Mr. Arnold asked if the County is under funded. Ms. Barrick replied that the County is not under funded. Mr. Arnold asked if there are any problems with the Financial Statements. Ms. Barrick replied that there is one fund in a deficit, which is the Social Security Fund. The County can fund this deficit from the Working Cash Fund. IMRF Fund was in a deficit last year, but has recovered. Mr. Zeunik explained that each February, Resolutions are presented to allow for the transfer from the Working Cash Fund. The transfers act as a loan until the deficit is made up. Ms. Barrick stated that because of Pooled Cash Funds, money is borrowed from the General Fund as well. Mr. Arnold asked if during the audit, changes were being made to the General Fund. Ms. Barrick explained that the County works on an accrued cash basis throughout the year. All receivables and all payables have to be booked. As those journal entries are being entered, revenues and expenses could change. The majority of the entries are to convert the financial statements from a cash basis to an accrual basis.

Ms. Barrick asked the Committee to turn to page 46, the Tort Judgement fund, Employee Benefit Fund and the General Fund. She noted that the General Fund only (the column on the far left), the primary operating account of the County, reflected an excess of revenues and other financing sources over expenditures and other financing uses of \$221,353. This compares to a deficiency in 1999, excluding the Tort Fund and Employee Benefits Funds, of (\$662,811.00).

Overall, for the General Fund, revenues (located about 1/3 of the way down the page) increased from \$20,535,863 in 1999 to the \$21,346,763 in 2000, or approximately \$811,000. Taxes increased by approximately \$766,000 (11,066,092 in 1999) for the following areas. There was an increase in property taxes of approximately \$489,000. This increase is attributed to an increase in rate of approximately 7/10 of a cent (151,000) as well as increase in assessed valuation of approximately 110,000,000(275,000). Also, there was a minor amount of carryover of distribution from the prior year. There was also an increase in retailers occupation tax of approximately \$155,000 and an increase in State income tax of approximately \$116,000.

Licenses, permits and fees decreased by approximately \$248,000 (from \$3,462,285). Areas of decrease were in the Recorder's Office, where recording, copy fees and revenue stamp sales collectively decreased \$107,962 and in the Circuit Clerk fees, where the collective decrease was \$95,000.

Intergovernmental increased approximately \$169,000 from \$3,627,838. There are various items included in this category that saw change.

Personal property replacement taxes actually decreased by approximately \$43,000. In fiscal year 2000, approximately \$143,000 of PPRT was allocated to IMRF. Overall, PPRT increased approximately \$121,000.

Again in Fiscal Year, Inheritance taxes again this year saw an increase of approximately \$38,000. These taxes are a totally unpredictable source of revenue. The prior year also showed an increase.

Revenue recognized and distributed for SHOWBUS increased \$46,000.

Intergovernmental revenues recognized in the State's Attorney's office increased approximately \$64,000.

Intergovernmental service revenue in the Court Services area saw an increase of approximately \$43,000 and the Sheriff's Department saw a decrease of \$33,000.

Ms. Barrick stated that Charges of Services increased by \$68,000.00. Last year, the Charges for Services were \$1,060,000.00. Even though there was a decrease in Off Track Betting fees, the Sheriff's Department Bond Fee revenue totaled \$189,000.00.

Both the Interest and Miscellaneous categories remained fairly stable with Interest increasing approximately \$29,000 and the Miscellaneous category increasing \$27,000.

Expenditures in the General Fund were \$22,499,666.00 in 1999 and \$22,779,211.00 in 2000, or an increase of approximately \$280,000. Details of those expenditures compared to 1999 can be seen on pages 47 through 52.

There are areas of fluctuation throughout, however the largest individual changes can be found in a couple of areas. Ms. Barrick stated that on page 48 in the Information Services Department, an overall decrease in expenditures of approximately \$1,000,000. In the prior year 1999, the County had a major upgrade in payroll software and expenditures related to Y2K.

The area that offsets this decrease the increase in personal services or salaries. The PAS study was done during the year to determine if employees were being paid competitive wages. Increases affected various departments but the increase in this area can most readily be seen in the Circuit Clerk's (p.49) and Sheriff's offices (p.51).

Also, the Circuit Clerk's office incurred additional expenses due to personnel costs needed during the computer conversion (\$60,000) and the number of week-end court employees increased.

Ms. Barrick stated that overall, the General Fund, at year-end, again excluding the Tort and Employee Benefit fund, carries a fund balance of \$4,599,362.00. This represents approximately 20% of the 2000 expenditures, net of financing sources and uses. This percentage was 21% at the end of 1999.

On page 45, note the cash balance in the General Fund increased from \$1,114,084 in 1999 to \$2,625,384 at the end of 2000 or approximately \$1,500,000. The increased cash position is due to not only the excess of revenue over expenditures, but the reduction in amounts due from other funds. At year-end, most of the taxes had been distributed.

Ms. Barrick noted on page 46 that the Employee Benefit fund had a loss of approximately \$263,000. As with many entities, employee health care costs rose significantly.

Ms. Barrick stated that she has a few comments regarding Other Fund. On page 84, the County Highway Fund, revenues are up from \$1,693,494.00 to \$2,305,683.00 with the biggest increase being in the Charges for Services area. County and Township Motor fuel taxes reimburse County Highway for salaries, equipment rental, purchases of culvert pipe, signs, etc. These reimbursements were not made in 1999 so the year 2000 actually reflects 2 years of reimbursement. This is merely a timing difference.

Ms. Barrick asked the Committee to look at pages 85, 86, and 87. Expenditures are down in each of these funds. The number of projects started in 2000 were significantly less than in 1999. Several large projects started in 1999 were completed in 2000 and the County began the planning phase in 2000 for large projects to begin in 2001 (such as the Towanda-Barnes project).

On page 88, the Social Security Fund expenditures exceeded revenue by \$309,432 creating a deficit in the fund of \$172,428.00. The County should be aware of such and take appropriate measures to bring the fund back to a positive position.

Within the IMRF fund (Page 89), expenditures were reduced from \$2,086,662.00 to \$871,523. In 1999, expenditures included an accrual for the second half of the early retirement incentive. Payment for this retirement incentive was included in your rates and rates dropped to 12.69% for SLEP and 5.66% for other employees compared to 13.05% for SLEP and 7.47% for other employees in 1999. There is still approximately \$160,000 of the liability remaining on the SLEP. With the reduced expenditures, this fund was restored to a positive position in the current year.

Ms. Barrick stated that other funds may have reflected gains or losses, but nothing of significance to highlight at this time.

Motion by Kinzinger/Berglund to accept and place on file the Outside Auditor's Report as presented. Motion carried.

Motion by Kinzinger/Berglund instructing the Administrator's Office to work with Department Heads regarding each departments response to the Management Letter. Responses should be received by the Committee for the August Committee Meeting. Motion carried.

Ms. Barrick presented the outside auditor's Management Letter of Advisory Comments. This year, none the items noted in the letter constitutes a material weakness. A material weakness is a condition in the design of internal control that does not reduce to a relatively low level the risk that errors in amounts that could be material may occur and not be detected within a timely basis in the normal course of performing assigned functions. For the last two years, we have noted items that are material weaknesses.

Ms. Barrick noted that the outside auditor found that most bank reconciliations were done or were in progress with the intention of completion fairly quickly after we arrived. The Outside Auditor is still preparing a number of adjustments for posting but have had conversations with personnel in the Treasurer's Office about preparing year-end journal entries in the future. She stated that there are significant improvements with the treasurer's Office over the prior 2 years.

Chairman Sorensen commended the Treasurer's Office on the improvements made in the past two years. Chairman Sorensen thanked the Outside Auditor for the detail contained in this year's Management Letter.

Ms. Barrick stated comments in the management letter that are not considered to be material weaknesses that we include as matters of consideration for the County or that are more of the nature of housekeeping items.

Mr. Arnold noted that there are a lot of Internal Control issues in the Management Letter. Ms. Barrick explained that there is cash handling in almost every office in the County. Depending on the circumstances in an office, cash handling can be difficult. The key factor is to make sure that controls are in place. Mr. Arnold stated that banks do not have these cash handling problems. Ms. Barrick stated banks are highly regulated. In an individual office, there is no one overseeing the internal controls. The Internal Auditor that was hired should have the autonomy to go into all County offices to check on internal controls. However, as far as computer programs are concerned, most programs

have edit features written in the program. The Internal Auditor will not know that this function is out there until someone stumbles across it.

Mr. Arnold asked if a report was sent out from the Secretary of State each year regarding the Condemnations and Abandoned Property Fund. Ms. Barrick replied that the State does send a letter out each year. Audits are being done on the Funds. These funds can be reported now and should be reported for every office that has a bank account. The State is starting audits with the Treasurer's Office, but may audit other offices as well.

Mr. Arnold asked if the grant report has been kept up to date. Mr. Zeunik replied that the report for the first half of the year, which goes to the oversight committee, is due. This report helps departments and the County Board monitored when grants are to expire. Mr. Zeunik stated that all compliance reporting is the responsibility of the individual department. All grant communication is sent to the individual department as well. The only way to track if departments are responding to the communication is to check to see if revenue has been received. If no revenue has been received, it is a red flag that reports may not have been filed on time and payments are being withheld from the grant.

Mr. Rodman asked Ms. Barrick to explain the Intergovernmental Funds on page 73. Mr. Hilton replied that the Fund is comprised of various grants from federal or state agencies. The grant funds are noted as Intergovernmental revenues.

Chairman Sorensen presented the bills, which have been reviewed and recommended for transmittal to the Finance Committee by the County Auditor.

Motion by Arnold/Berglund to recommend payment of the bills as presented by the County Auditor. Motion carried.

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There being nothing further to come before the Committee at this time, Chairman Sorensen adjourned the meeting at 6:57 p.m.

Respectfully submitted,

Lucretia A. Wood
Recording Secretary