

Minutes of the Finance Committee

The Finance Committee of the McLean County Board met on Wednesday, June 2, 2010 at 4:00 p.m. in Room 400 of the Government Center, 115 East Washington Street, Bloomington, IL.

Members Present: Chairman Owens, Members Butler, Moss, Caisley, and O'Connor

Members Absent: Member Nuckolls

Other Members Present: None

Staff Present: Mr. Terry Lindberg, County Administrator; Mr. Bill Wasson, Assistant County Administrator and Ms. Judith LaCasse, Recording Secretary, County Administrator's Office

Department Heads/
Elected Officials

Present: Ms. Peggy Ann Milton, County Clerk; Mr. Bob Kahman, Supervisor of Assessments; Ms. Becky McNeil, County Treasurer; Mr. Matt Riehle, Director, Nursing Home; Ms. Michelle Anderson, County Auditor

Others Present: Ms. Sarah Bohnsack, Partner, McGladrey & Pullen

Chairman Owens called the meeting to order at 4:00 p.m.

Chairman Owens presented the minutes of the May 5, 2010 Finance Committee Meeting for approval.

Motion by Caisley/O'Connor to approve the Minutes of the
May 5, 2010 Finance Committee Meeting.
Motion carried.

Chairman Owens presented the County Recorder's Monthly Reports as submitted by Mr. Lee Newcom, County Recorder. There were no questions on the reports.

Ms. Peggy Ann Milton, County Clerk, announced that she will be presenting a request next month for approval of the listing of Judges of Election candidates. She noted that Election Judges are a vital part of the election process. Ms. Milton stated that she encourages McLean County's electorate to consider working as an Election Judge.

Ms. Milton reviewed the County Clerk's Monthly Report for April 2010. She indicated that most of the funds are tracking as expected. Ms. Milton noted that Take Notice fees are over 100%, which usually happens at the beginning of the year.

Ms. Milton presented a request for approval of Precinct splits and restructuring. She distributed the changes and accompanying maps. Ms. Milton advised that, according to 10 ILCS 5/11-2, at its regular meeting in June, the County Board is required to make any necessary boundary changes to precincts. She stressed that the decision to split precincts is the responsibility of the County Board and not the County Clerk's Office. Ms. Milton added that the County Clerk provides the numbers to the Board. She noted that precinct splits can only be done in June of each year.

Ms. Milton advised that the statute limits between 400-800 registered voters in a precinct. She indicated that attempts have been made to increase that limit since the optical scan and touch screen equipment can handle more voters per precinct, but, as yet, the limits have not been changed.

Ms. Milton stated that she is recommending that precincts with over 1300 voters be split, as indicated on the Precinct Splits memorandum that was distributed. She also reviewed the maps that were included with the memorandum.

Ms. Milton pointed out that next year the census may have an impact on boundary changes, but little effect on precincts.

Ms. Milton indicated that the number of registered voters per precinct is "active voters." She noted that during even years, the number of "suspended voters" would also be taken into consideration. Ms. Milton added that during a general election, suspended voters are allowed to show up at a polling place, which usually happens if there is a gubernatorial or presidential election.

Ms. Milton advised that there will be a cost to the County of \$4,300 associated with election judge expenses during even year elections. She added that the State should reimburse the County \$1,300 of that \$4,300 expense. Ms. Milton stated that there will be an additional expense for the required Legal Descriptions which Sidwell will produce.

Ms. O'Connor recommended that the Board wait until the census is completed before making the precinct splits. Mr. Lindberg responded that the two biggest precincts show over 1,600 voters, which could present a capacity problem in using the machines. Ms. Milton added that some of the election judges have complained about overcrowding.

Mr. Caisley recommended that the Board follow the law that requires a limit of 400-800 registered voters in a precinct.

Motion by Caisley/Butler to Recommend Approval of
Precinct Splits and Restructuring.
Motion carried with Ms. O'Connor voting "no."

Mr. Caisley expressed concern that the Outside Auditor's Report revealed a problem in the County Clerk's Office with respect to one person handling all of the check reconciliations and check writing. He stated that this is the fourth year this finding has been included in the Auditor's Report. Mr. Caisley indicated that he thought a commitment was made last year from the County Clerk that when the County Clerk's Office was short of people that a Deputy County Auditor would reconcile the checkbook.

Ms. Milton stated that when the deficiency was noted by the Outside Auditor last year, the occurrence had not actually happened until 2009. Therefore, the deficiency noted in the 2009 Outside Audit is the same occurrence that was the result of the vacancy when the Chief Deputy resigned. Ms. Milton advised that the deficiency was an overlap within the two years. She reported that the recommendations of the Outside Auditor have been instituted.

Chairman Owens asked if there were any additional questions or comments. Hearing none, he thanked Ms. Milton.

Mr. Bob Kahman, Supervisor of Assessments, presented a report on Farmland Value. He noted that farmland is a very important component of McLean County. Mr. Kahman indicated that as we grow as a County, as long as property values continue to rise, farmland becomes less of an overall component. However, in some rural districts farmland is still the major source of property tax revenue.

Mr. Kahman advised that the Department of Revenue has certified the 2011 Farmland values. He noted that farmland values are always certified two years ahead. Mr. Kahman added that this has to do with the overall cycle in which farmland is studied, which is a seven year process.

Mr. Kahman stated that for the fourth consecutive year, values will increase by the maximum allowed by law of 10% for all productivity indexes. He added that he has included several graphs to help explain the status of farmland assessments in McLean County. Mr. Kahman reviewed the graphs as follows:

- **AVG EAV/ACRE** – This graph follows the average value for all farmland, by acre, from 1986 to the present, which in this case is 2011. The assessed value for the average acre has had two prominent peaks and two prominent valleys. At our present pace we are looking at establishing another peak in the next two or three years. The last two peaks were at slightly over \$300 per acre and the valleys were as low as in the \$170s. Because of the lag nature of the farmland valuation formula, the highs and lows tend to be counterintuitive. The formula spans a seven year period which results in high values when prices are bad and low values when times are good.
- **20 YEAR PERSPECTIVE ON McLEAN COUNTY TOTAL FARMLAND EAV** – This graph mirrors the prior graph, but looks at the sum total of all farmland values in the County. There is a relative factor in considering our total farmland value. In 1990, when we hit \$157 million in farmland value, our total EAV was 41.342 billion. Farmland therefore represented 11.6% of total EAV. In 2009 our total farmland was \$146 million and our total EAV was \$3.908 billion, representing 3.7%. As the County total value continues to increase, the fluctuation in farmland value diminishes in relative impact.
- **FARM HOMESTEAD COUNT FROM 1987 TO 2009** – On this graph, you see that we are losing about two and a half percent (2.5%) of our farm homestead properties per year. Since 1987, we have lost almost a thousand farm homesteads. This works out to about 39 homesteads per year.
- **TOTAL FARM ACREAGE** – By 2011, I am projecting that we will have lost almost twenty thousand (20,000) acres of farmland since 1986. The blip in the curve is due to a mid-90's policy decision regarding the definition of farmland that was corrected in 1998. On average we lose 758 acres per year. The good news is that, at that rate, it will take the better part of a millennium to lose all farmland in the County. More pragmatically, market and natural resources limitations will ultimately control loss of farmland. The market competition comes from the ever increasing demand for food around the globe. The natural resource limitation is primarily the need for sufficient water to supply a growing population. These forces will eventually find their equilibrium.

Mr. Kahman advised that there hasn't been a dramatic impact on land values due to the recession. He added that farmers are going to continue to farm as long there are enough government subsidies and commodity prices hold at a sustainable rate.

Ms. O'Connor asked how much farmland is selling for per acre. Mr. Kahman replied that farmland is selling at \$6,000-\$8,000 an acre. Mr. Kahman noted that McLean County is in the center part of the state that has the best soil.

Mr. Moss asked what percentage of McLean County is still farmland. Mr. Wasson responded that, according to Mr. Kahman's acreage figures, 93% of the County is still farmland.

Chairman Owens asked if there were any additional questions or comments. Hearing none, he thanked Mr. Kahman.

Ms. Becky McNeil, County Treasurer, announced that she does not have a monthly report today. She stated that a distribution was sent out today and the Treasurer's Office is processing a huge tax file. Ms. McNeil asked that the Treasurer's Report be considered at a Stand-up meeting prior to the June 15th County Board meeting.

Chairman Owens concurred that the Treasurer's Monthly report would be considered at a Stand-up meeting.

Mr. Matt Riehle, Administrator of the McLean County Nursing Home, presented the Nursing Home Monthly Report. He indicated that in April he included a calculation of projected IDPA reimbursement revenue when the Intergovernmental Transfer Agreement is signed. He noted that the Nursing Home is now seven or eight months past due on that reimbursement. Mr. Riehle stated that according to the formulas that were provided, May reimbursement would have been a little over \$50,000, which leaves the Nursing Home due \$209,000 this year alone.

Mr. Riehle reported that the Nursing Home census has been better this month. In addition, the Medicare has also picked up this month.

Chairman Owens asked if there were any questions. Hearing none, he thanked Mr. Riehle.

Ms. Michelle Anderson, County Auditor, presented the Task Force 6 Audit, which is conducted every two years.

Chairman Owens asked if there were any questions. Hearing none, he thanked Ms. Anderson.

Mr. Terry Lindberg, County Administrator, presented a request for approval of an Ordinance for Prevailing Rate of Public Works Wages for McLean County. He noted that each year, typically in June, McLean County is required to adopt the prevailing rate of public works wages that governs any construction capital projects with which the County may be involved. Mr. Lindberg added that contractors that the County employs are required to pay the prevailing wage as set by the Illinois Department of Labor.

Motion by Moss/Butler to Recommend Approval of an Ordinance for Prevailing Rate of Public Works Wages for McLean County.
Motion carried.

Mr. Lindberg presented the Fiscal Year 2009 Audit and Comprehensive Annual Financial Report as prepared by McGladrey and Pullen LLP.

Mr. Lindberg introduced Ms. Sarah Bohnsack, Partner, McGladrey and Pullen. He acknowledged the work done by McGladrey and Pullen, but added that they could not have completed the audit at the current cost without the assistance of Ms. McNeil, County Treasurer and Ms. Michelle Anderson, County Auditor who has, for the last several years, prepared the Comprehensive Annual Financial Report (CAFR).

Ms. Bohnsack advised that McGladrey & Pullen audited the financial statements of McLean County for the year ended December 31, 2009 and issued their report dated May 14, 2010.

Ms. Bohnsack distributed a graphical presentation for review of the 2009 Comprehensive Annual Financial Report (CAFR). She noted that the first thing on the Agenda is "Auditor Communications," which she will discuss, as well as the December 31, 2009 financial performance, and the Audit letters and compliance report. Ms. Bohnsack stated that the paragraph explains that when they provide three different types of audits, as follows.

- **The County's Financial performance.** McGladrey & Pullen issued McLean County an "unqualified opinion," which is the highest form of opinion that can be received.
- **The Government Auditing Standards** audit, which looks at the Counties checks and balances and internal control, and then it tests those checks and balances to make sure that they are functioning as they were designed to function.
- **Audit of the County's Federal Awards.** This year, the County received over \$4 million in Federal awards.

Ms. Bohnsack advised that McGladrey & Pullen was required to audit three programs within the Federal awards. Of those programs, two findings were found and are now in corrective action.

Mr. Caisley pointed out that this is the third year that the Health Department has been written up and the fourth year that the County Clerk's office has been written up. Ms. Bohnsack responded that the County Clerk's Office was cited with having inadequate procedures in place to account for potential vacancies that resulted in the lack of segregation of duties over cash receipts and disbursements. She explained the finding was found in the first quarter of the current year, which was an overlap from last year's finding. Ms. Bohnsack stated that the finding has been corrected. She advised that the finding in the Health Department was due to the amount of the grants and the risks associated with the grants.

Mr. Caisley asked if the Health Department was made aware that the file room clerk did not sign-off on the patients' charts. Ms. Bohnsack replied that the clerk was looking at the files, but not documenting them. Mr. Lindberg responded that the process was occurring and the instruction to the clerk was to report any exceptions. When there weren't any exceptions, the clerk did not provide any documentation or report for the auditors to see after the fact.

Chairman Owens noted that the Health Department receives such a large volume of grants that they run a greater risk for error than other departments. Ms. Bohnsack added that the outside auditors review the subsequent year to make sure that the findings were corrected and that good faith diligence took place. She advised that the previous findings have been corrected and the Health Department is performing with good faith diligence.

Ms. Bohnsack referred to page 4 of the charts, which reflects the Revenue of all of the County's Revenue Funds. She reported that the County's Governmental Funds increased \$403,000, which is less than a 1% increase. Ms. Bohnsack stated that this has been an interesting year when looking at Governmental Funds, because some of the challenge is the recognition of revenue, without the actual revenue. Under Governmental Accounting for Governmental Funds, the funds are on a modified accrual basis as opposed to a commercial or full accrual basis. Part of recognizing your revenue is the availability criteria which means that if the revenue is not received by the County within 90 days, it is considered deferred. The County would still have a receivable on the books, but it wouldn't be able to recognize the revenue until the year that it is actually received.

Ms. Bohnsack noted that the County's Property Taxes have increased slightly, due to an increase in the levy and an increase in the assessed values in 2009. She pointed out that the State Income Tax decreased by approximately \$600,000; about \$400,000 of that decrease is due to the situation to which she previously referred. The other \$200,000 is due to the state of the economy. Ms. Bohnsack added that the Retailers Occupation and Personal Property Replacement Tax also decreased by about \$200,000, again, due to the general state of the economy.

Ms. Bohnsack indicated that the Licenses and Permits increased approximately \$400,000. She noted that there was a new animal registration fee for cats that generated \$80,000. Ms. Bohnsack stated that a Children's Advocacy Center fee was authorized mid-year in 2008 and it was in place a full year in 2009, so it increased by \$60,000. Also, Zoning Fees are up \$200,000.

Ms. Bohnsack advised that, under the Intergovernmental section, the Inheritance Tax increased \$150,000. She indicated that there were also some changes in grant funding this year, including an H1N1 grant of \$185,000 that wasn't available in the prior year. Ms. Bohnsack added that the Department of Transportation grants increased by \$300,000 this year. Also, the Sheriff and State's Attorney Forfeited Assets increased to \$413,000 from \$16,000 the year before.

Ms. Bohnsack reported that Charges for Services decreased in 2009. The previous year, the County had \$1.4 million in wind farm revenue that it didn't have this year.

Ms. Bohnsack noted that, under Miscellaneous, there was a \$150,000 insurance settlement that did not occur in the prior year.

Mr. Caisley asked if McGladrey & Pullen audit other Illinois counties. Ms. Bohnsack replied that they audit Jo Daviess and Rock Island counties. Mr. Caisley asked how McLean County revenue compares to those counties. Ms. Bohnsack responded that the issue of receipt of revenue due from the State is similar.

Ms. Bohnsack reviewed the Expenditures by Function graph. She pointed out that the Expenditures and Governmental Funds decreased by about \$9 million which is 12%. Ms. Bohnsack noted that the decrease was most notable in Highways and Streets and in Capital Outlay areas. These decreases were the result of the necessity to control which projects to complete due to budget constraints.

Ms. Bohnsack reviewed the General Fund Balance, Unreserved, Undesignated (In Days) graph. She indicated that McLean County decreased from 75 days in 2008 to 73 days in 2009, which is not a significant difference. Ms. Bohnsack advised that the

GFOA (Government Finance Officers Association) previously recommend that there be a 90 day reserve on hand. Two years ago, GFOA changed that recommendation to 60 days. Ms. Bohnsack pointed out that McLean County is clearly within that recommendation.

Ms. Bohnsack reviewed the Nursing Home Balance Sheet graph and the Operations graph. She noted that the Balance Sheet is very similar from year to year. Net income was approximately \$218,000 last year and \$400,000 the year before. Ms. Bohnsack stated that the Operating Statement shows that the Nursing Home revenue was down by about \$980,000 due to a combination of total patient days being down as well as the fee charged per patient day being down. She added that the expenses are also down \$900,000 due to the change in the State portion that is being expensed to the Nursing Home.

Ms. Bohnsack advised that the final page of the graph booklet dealt with the Control Deficiency Letter and Compliance Report, which were discussed earlier.

Mr. Caisley commented that the County Board members perform a very important function by ensuring that there is compliance with appropriate accounting standards.

Chairman Owens asked if counties get in trouble if they have more than 60 or 90 days of operating funds. Ms. Bohnsack responded that she has not experienced a county reaching that level of operating funds. She added that, often, if a county reaches that level, the funds are transferred to a capital projects fund. Ms. McNeil reported that in 2008, the County had a Fund Balance near \$12 million. At that time, the Museum Capital Project was funded. Ms. McNeil indicated that, at that same time, the County settled a case involving the Law and Justice Center explosion. She noted that the County went from \$12 million to \$8 million in one year.

Mr. Lindberg recognized the tremendous contribution of Ms. McNeil and her staff as well as Ms. Anderson and her staff for the countless hours of audit preparation. He added that he doesn't know of any other county that prepares its own CAFR, as Ms. Anderson has done for the last several years.

Chairman Owens asked if there were any additional questions or comments. Hearing none, he thanked Ms. Bohnsack, Ms. McNeil and Ms. Anderson.

Motion by Butler/O'Connor to accept and place on file the Comprehensive Annual Financial Report for the Fiscal Year Ended December 31, 2009 and the Single Audit Report for the Fiscal year Ended December 31, 2009.
Motion carried.

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Chairman Owens presented the May 31, 2010 Finance Committee bills for review. The Finance Committee bills include a Prepaid Total of \$473,025.29 for a Fund Total that is the same.

Motion by Moss/Butler to recommend approval of the Finance Committee bills as of May 31, 2010 as recommended by the County Auditor.
Motion carried.

The Nursing Home bills include a Prepaid Total of \$468,172.26 and a Fund Total that is the same.

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Motion by Caisley/Butler to recommend approval of the Nursing Home bills as of May 31, 2010 as recommended by the County Auditor.
Motion carried.

There being nothing further to come before the Committee at this time, Chairman Owens adjourned the Finance Committee at 5:11 p.m.

Respectfully Submitted,

Judith A. LaCasse
Recording Secretary

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