Minutes of the Finance Committee

The Finance Committee of the McLean County Board met on Wednesday, June 5, 2013 at 4:30 p.m. in Room 400 of the Government Center, 115 East Washington Street, Bloomington, IL.

Members Present:	Chairman Owens, Members Wollrab (4:36 p.m.), Rankin, O'Connor and Erickson
Members Absent:	Member Soeldner
Other Members Present:	None
Staff Present:	Mr. Bill Wasson, County Administrator; and Ms. Judith LaCasse, Recording Secretary, County Administrator's Office
Department Heads/ Elected Officials Present:	Ms. Michelle Anderson, County Auditor; Mr. Jerry Vogler, Director, Veterans Assistance Commission; Mr. Matt Riehle, Director, Nursing Home; Ms. Kathy Michael, County Clerk; Mr. Lee Newcom, County Recorder; Ms. Becky McNeil County Treasurer
Others Present:	None

Chairman Owens called the meeting to order at 4:30 p.m.

Chairman Owens presented the minutes of the May 1, 2013 Finance Committee Meeting for approval.

> Motion by O'Connor/Rankin to Approve the Minutes of the May 1, 2013 Finance Committee meeting.
> Motion carried.

Chairman Owens advised that the Agenda will be deviated from in order to accommodate schedules.

Mr. Jerry Vogler, Director, Veteran's Assistance Commission, presented a request for approval of an Emergency Appropriation Ordinance Amending the McLean County Fiscal Year 2013 Combined Annual Appropriation and Budget Ordinance. He indicated that the VA received a $1,500 contribution from the Rainstorm Car Wash Company, which belongs to a 500-member car wash association nationally that has taken up Veterans issues. When they locate to a new city with a VAC office, they donate $1,500. Mr. Vogler added that they also give a discount to all Veterans daily and on Veteran's Day, all Veterans cars are washed for free.

Mr. Vogler indicated that the money will be used to make necessary repairs to the VAC van that needs new brakes and new tires. He noted that in 2009 the VAC transported just over 300 Veterans to the clinic in Peoria, which has increased every year, and he expects that by the end of the year they will have transported 650 Veterans.

> Motion by Rankin/O'Connor to Recommend Approval of an Emergency Appropriation Ordinance Amending the McLean County Fiscal Year 2013 Combined
> Motion carried.

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

Mr. Matt Riehle, Director, Nursing Home, reviewed the Nursing Home Monthly Report. He noted that the Nursing Home is in the process of converting its financial records and clinical records to a new software vender.

Mr. Riehle indicated that Public Aid is still trying to transition to a managed care environment, but they don't yet know how it is going to work. He stated that he will be working with them for the next four or five months to get that resolved.

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

Ms. Michelle Anderson, County Auditor, introduced Ms. Anni Cummings, who was hired in mid-May as the new Chief Deputy Auditor. She noted that Ms. Cummings has a Masters in Accounting from the University of Texas.

Ms. Anderson presented a request for approval of the Popular Annual Finance Report dated December 31, 2012. She reminded the Committee that last year was the first year for this report. Ms. Anderson explained that this report is a simpler, more condensed version of the CAFR, and is much more user-friendly. She indicated that last year's report won the award for its first publication. The Report will be posted on the County Website. Ms. Anderson noted that the Report is a condensed version describing McLean County, including where Property Taxes go, sources of revenue and County expenditures.

> Motion by O'Connor/Wollrab to Recommend Approval to place on file the Popular Annual Financial Report dated December 31, 2012.
> Motion carried.

Ms. Anderson presented a request for approval of a Corporation Resolution to obtain Credit Card Account. She advised that this resolution is to authorize Ms. Cummings to act on any Commerce activity.

> Motion by Rankin/O'Connor to Recommend Approval of a Commerce Bank Corporate Resolution.
> Motion carried.

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

Mr. Wasson presented the Fiscal Year 2012 Audit and Comprehensive Annual Financial Report as prepared by McGladrey and Pullen LLP. He introduced Ms. Michelle Anderson, County Auditor, Ms. Becky McNeil, County Treasurer and Ms. Heidi Hobkirk, Director, McGladrey and Pullen.

Ms. Hobkirk advised that McGladrey & Pullen audited the financial statements of McLean County for the year ended December 31, 2012 and issued their report dated May 22, 2012.

Ms. Hobkirk distributed a condensed graphical presentation for review of the 2012 Comprehensive Annual Financial Report (CAFR). Ms. Hobkirk noted that the first thing on the Agenda is "Auditor Communications," which she will discuss, as well as the December 31, 2012 financial performance, and the Audit letters and compliance report.

Ms. Hobkirk indicated that the letter covers the auditor's responsibilities under three sets of Professional Standards. She explained that this is where McGladrey and Pullen is communicating that they performed the audit in accordance to the following accounting standards:

- Generally Accepted Accounting Principles, which tells you whether your financial statements are materially correct or not. McLean County received an "unqualified opinion," which is a clean opinion or the best opinion you can receive.
- Governmental Auditing Standards where the internal control is reviewed. There were no material weaknesses or significant deficiencies, or compliance findings.
- The Single Audit, which is over the Federal grants. Under that audit, there were no findings, significant deficiencies or material weaknesses.

Ms. Hobkirk stated that under all three standards, the County received an "unqualified" or "clean" opinion in the current year as it has in the past.

Ms. Hobkirk indicated that, under “Accounting Policies and Practices,” the County implemented two new GASB standards, including:

- **GASB No. 63** – *Financial Reporting of Deferred Outflows of Resources, deferred Inflows of Resources, and Net Position*. This statement is intended to improve financial reporting by providing citizens and other users of state and local government financial reports with information about how past transactions will continue to impact a government’s financial statements in the future. This Statement provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities deferred inflows of resources, and net position (which is the net residual amount of the other elements). The Statement requires that deferred outflows of resources and deferred inflows of resources be reported separately from assets and liabilities. This Statement also amends certain provisions of Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments,* and related pronouncements to reflect the residual measure in the statement of financial position as net position, rather than net assets. The appropriate changes were made to the financial statements including changing net assets to net position, the inclusion of deferred inflows and deferred outflows and the related disclosures.

- **GASB No. 65** –*Items Previously Reported as Assets and Liabilities*. This Statement clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. GASB Concepts Statement (CON) No 5, *Elements of Financial Statements*, specifies that recognition of deferred outflows and deferred inflows should be limited to those instances specifically identified in authoritative GASB pronouncements. Consequently, guidance was needed to determine which balances being reported as assets and liabilities should actually be reported as deferred outflows of resources or deferred inflows of resources, according to the definitions in CON 4. Based on those definitions, this Statement reclassifies certain items currently being reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources. In addition, the Statement recognizes certain items currently being reported as assets and liabilities as outflows of resources and inflows of resources. This standard is closely tied to the implementation of GASB 63 and will affect how items are classified on the balance sheet. The County appropriately classified deferred inflows and deferred outflows on the financial statements.

Ms. Hobkirk stated that this will change the look of the Financial Statements. There will be a new section called “deferred outflows” and “deferred inflows” on the Balance Sheet or Statement of Net Positions. The appropriate items that are considered deferred under that statement were moved down to that category.

Ms. Hobkirk indicated that the Equity section for some of the financial statements used to be called asset and is now called net position because of those new deferred categories.

Ms. Hobkirk reminded the Committee that all financial statements have Management Judgment and Accounting Estimates within the CAFR. She noted that they looked at those that are significant to the County and reviewed what management has done for those estimates, and concurred with the treatment of them. Ms. Hobkirk advised that the main estimates that were looked at were the Pension and Postemployment Benefit Assumptions that are used and those Liabilities.

Ms. Hobkirk stated that there were audit adjustments as in the past, which is due to the timing of the information. The County waits until they have all of the information from the state to know what revenues are deferred and not deferred. Ms. Hobkirk indicated that management provided them, but they are shown as audit entries because they were done after the audit was started.

Ms. Hobkirk advised that there were no “Disagreements with Management,” no “Consultations with Other Accountants,” no “Significant Issues Discussed with Management,” and no “Difficulties Encountered in Performing the Audit.”

Ms. Hobkirk reviewed the Revenue for all Governmental Funds, except for the Nursing Home, which is an Enterprise Fund. She noted that there is an overall increase in revenue of $1.7 million to about $81 million or a 2.0% increase. There were two main areas that increased. The first was an increase in State Income Taxes, which is partially related to the timing of the payments from the state. The second is an increase in Sales Tax. Ms. Hobkirk indicated that other areas that increased were charges for services in a variety of areas.

Ms. Hobkirk reviewed the Expenditures for the same Governmental Funds. She reported that, overall, expenditures decreased about $354,000 from the prior year to about $77.9 million. Ms. Hobkirk pointed out that no one function significantly changed. The decrease was related to changes in projects from year to year and some changes in grants.

Ms. Hobkirk reviewed the Nursing Home Balance Sheet. She stated that the assets increased due to an increase of the receivables from the State of Illinois. Ms. Hobkirk noted that the Liabilities also increased because of the County's payable to the State of Illinois, and accounts payable due to timing of year end liability. She noted that equity increased by approximately $400,000.

Ms. Hobkirk reviewed the Operations of the Nursing Home. She indicated that Operating Revenues decreased due to some one-time payments that the County is receiving from the State of Illinois that are being reviewing. Last year, $1.4 million was received from the State in that one-time payment and this year it was only about $400,000. Ms. Hobkirk added that the actual operating revenues were pretty consistent or slightly increased from the prior year.

Ms. Hobkirk stated that the Operating Expenditures did increase in the current year due to a worker's comp claim that was completed in the current year, and there was also a new bed tax that the State of Illinois is charging to nursing homes that would not have been in last year's expenditures.

Ms. Hobkirk indicated that the Non-Operating Revenues is a small portion, but it does include in interest income, loss on disposals of capital assets, and capital grants and contributions.

Ms. Hobkirk advised that the Transfers (net) are transfers from other funds of the County. She noted that without those transfers of $800,000, the Nursing Home would have been in a net loss position.

Ms. Wollrab asked if the review from the state will be a permanent increase at that level. Ms. Anderson replied that the County took a very conservative approach in accruing the revenue so when the revenue was booked in Fiscal Year 2011, it was booked 18-20 months of revenue and in 2012 only 12 months was booked that were applicable to the Fiscal Year. Mr. Wasson added that this deals with the IGT payments and the fact that they did not pay the Nursing Home for an extended period of time so it showed up in 2011 for that extended period of time. He noted that the state has now begun a process of paying the Nursing Home. Mr. Wasson pointed out that we are still working with them on how it will proceed under the new reforms for both Medicaid and the Health Care Reform Act.

Ms. Hobkirk reviewed the Compliance Report. She advised that McGladrey & Pullen provides a single audit where they look at the Federal expenditures for the year. The County had about $5.2 million in Federal expenditures for 2012. Ms. Hobkirk advised that they audited three major programs, and reported that they found no "M*aterial*

Weaknesses," "*Significant Deficiencies*" or any "C*ompliance Findings*" in the current year over the major programs. She added that this also holds true for the internal controls and the gas audit that they performed.

Ms. Hobkirk stated that there is a "*Control Deficiency"* Letter that is attached to the Report to the Finance Committee, as follows:

- The Community Transformation Grant (CFDA #93.531) of approximately $84,000 was improperly excluded by the Health Department from the schedule of federal awards (SEFA). This grant was initially coded to a state revenue account as opposed to a federal revenue account, which is used to prepare the SEFA. The expenditures were subsequently added to the SEFA for reporting purposes. We recommend both the state and federal revenue accounts are reviewed in preparation for the SEFA to ensure there are no federal grants excluded from the SEFA due to being misclassified in the revenue accounts.

Ms. Hobkirk thanked the Auditor's Office, the Treasurer's Office and the Administrator's Office, as well as all of the other Departments in the County who helped work through the audit process.

Mr. Wasson thanked the Auditor's Office and the Treasurer's Office, pointing out that those offices spend extended periods of time responding to the necessary inquiries of the Outside Auditor.

Mr. Wasson advised that this will be the last year that we will see Ms. Hobkirk again under this contract and this is the end of a second three-year contract with McGladrey & Pullen. He indicated that the County will be rotating the staff and/or entities that do our outside auditing for the next year. He thanked Ms. Hobkirk and her staff for the six years that they have worked for the County. Mr. Wasson noted that it has been a very productive and positive relationship.

Chairman Owens asked if there were any additional questions or comments. Hearing none, he called for a motion to accept these reports.

> Motion by Wollrab/Rankin to accept and place on file the Comprehensive Annual Financial Report for the Fiscal Year Ended December 31, 2012.

Ms. Wollrab referred to Page 51 of the CAFR regarding the Illinois Municipal Retirement Fund (IMRF), particularly the Sheriff's Law Enforcement Personnel (SLEP). She asked Mr. Wasson what issues the County has with the very low funding ratio and what would happen if it were to totally not fund it in the future. Mr. Wasson replied that it is an IMRF actuarial analysis which dictates the County contribution.

Ms. Wollrab asked if the County has any thoughts of improving the ratio or is the County looking at gigantic payments in the future. Mr. Wasson replied that this is not a delayed payment scenario; as of 2014 the County will no longer be in the process of catch-up relative to general investments and will be paying the actuarial rate as prescribed by IMRF to meet our obligations.

Ms. Wollrab noted that she recently attended a rate meeting this spring and they offer employers the option of making additional payments into the regular IMRF. Mr. Wasson replied that you can always fund at a level higher than recommended. He noted that GFOA is making modifications to the way that we handle these and in future CAFR's the reporting will be seen in a different framework.

Ms. McNeil advised that these numbers come from a GASB Statement released by IMRF, and this will change. She indicated that next year when they release the document it will look different and will probably look better. Ms. McNeil noted that these rates have been going up, and pointed out that amazing change between 2011 and 2012 to jump up 5%. She added that you will see, between 2012 and 2013, quite a significant jump as well. However, the recalculation method that is going to come out will make it look much better. Ms. McNeil indicated that the County receives a rate notice from IMRF and we have been paying at the base end rate for a while, but now we will be jumping back to the regular rate. She cautioned that we cannot pay less than what they suggest.

Ms. Anderson stated that it won't take effect for the County until 2015. She noted that we have been off the phase-in on the SLEP portion for two years, so we have been paying the full amount. In 2011 and 2012, the liability came down on SLEP.

Ms. McNeil indicated that this will look better as we continue to build that back up. Mr. Wasson added that the County's regular IMRF projected rate for next year showed less than a 1% increase for the first time in several years.

Chairman Owens asked if there were any more questions or comments. Hearing none, he asked for a vote on the Motion.

Motion carried.

Chairman Owens asked for a Motion on the Single Audit Report.

> Motion by Rankin/Wollrab to accept and place on file the Single Audit Report for the Fiscal Year Ended December 31, 2012.
> Motion carried.

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

Ms. Becky McNeil, County Treasurer presented her Financial Reports for the period ending May 31, 2013 as submitted. She noted that first quarter taxes have been collected.

Ms. McNeil reported that the total amount of taxes received for May 2013 was $1,081,892.26 as compared to $902,233.92 a year ago, for a 19.9% increase. She indicated that May will be higher because it will reflect the first quarter pay-in from the State of Illinois on the Income Tax level. The Income Tax was $331,074.19 compared to $243,815.83 last year, which is almost a $90,000 increase.

Ms. McNeil stated that the comparative year-to-date is $4,509,454.24 compared to $4,024,777.49, a $484,676.75 increase across all tax sources.

Ms. McNeil advised that at this time of year the budget should be at $4,097,180.42, and we have received $4,509,454.24, which is an increase of $412,273.82.

Ms. McNeil indicated that the County received a tax distribution into the General Fund at the end of May of $6,645,746.64.

Ms. McNeil reported that many taxpayers are paying both first and second Property Tax installments.

> Motion by Wollrab/Rankin to accept and place on file the Month-end Financial Reports from the County Treasurer's Office for the month ending May 31, 2013, as submitted.
> Motion carried.

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

Ms. Kathy Michael, County Clerk, presented a request for approval to reduce the number of precincts in Randolph Township.

There was a brief discussion of precincts with low voter turnout.

> Motion by Rankin/Wollrab to Recommend Approval to Reduce the Number of Precincts in Randolph Township.
> Motion carried.

Ms. Michael commented that the work on the future merger continues to move along. She noted that Mr. Wasson scheduled a meeting with her and the Recorder's staff, which was cordial and professional. Ms. Michael added that they are also reaching out to other counties for their input and assistance.

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

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

Mr. Wasson presented a request for approval of an Ordinance for Prevailing Rate of Public Works Wages for McLean County. He noted that each year 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.

> Motion by Rankin/O'Connor to Recommend Approval of an Ordinance for Prevailing Rate of Public Works Wages for McLean County.
> Motion carried.

Ms. Wollrab commented that the Prevailing Wage categories are very much male dominated. Mr. Wasson replied that for Prevailing Wage is predominately capital project related, such as construction and development projects.

Mr. Wasson reviewed the updated and distributed list of critical personnel position requests which have been received by the County Administrator's Office since May 8, 2013. All positions listed below are budgeted and funded through the end of FY 2013.

<u>Circuit Clerk</u>

(1) Request to fill a 1.0 FTE Circuit Clerk Supervisor I position

The retirement of a Circuit Clerk Supervisor 1 has created a vacancy in the Circuit Clerk's Civil Division. The vacated position primarily is responsible for supervising day-to-day operations of the Circuit Clerk's Civil Division which involves reconciling and resolving problems for the Division, assigning work, training new hires, cross training staff, ensuring proper staff coverage to meet the demands of the division, conducting performance reviews and managing performance issue, monitoring compliance of staff with Clerk's directives, approving leave requests, participating in screening applications and hiring decisions for the Division, generating statistical reports monthly and performing a portion of the work for the division when necessary. This position is necessary to keep the flow of work moving in the Civil Division and the duties cannot be redistributed to the remaining staff members.

<u>County Clerk's Office</u>

1) Request to Fill 1.0 FTE Deputy County Clerk

The County Clerk's office currently has 1.0 Deputy County Clerk vacant. This position is one of three Deputy County Clerk positions in the County Clerk's office and is necessary to provide sufficient personnel and oversight to meet critical minimum staffing levels required to comply with state statute guidelines. Deputy Clerks perform a variety of functions including maintaining all data for collection of the mobile home tax, tracking information on drainage districts and keeping a database on persons required to file statements of economic interest. The also provide support and assistance for all functions within the County Clerk's Office. The Clerk's office reduced support staff by 1.0 position in the 2010 budget reductions

<u>Nursing Home</u>

1) The following positions were vacated and refilled pursuant to the patient care exemption:

1.0 FTE Domestic Services Assistant I.

Motion by Rankin/Wollrab to Recommend Approval of the Critical Personnel Hiring Requests.
Motion carried.

Chairman Owens called for a motion to go into *Executive Session*, with the Committee Members, Administration Staff and the County Auditor to discuss personnel matters related to specific employee(s).

> Motion by O'Connor/Rankin to Recommend the Finance Committee go into *Executive Session* at 5:17 p.m. to discuss Personnel Matters related to Specific Employees with the Committee Members and Staff.
> Motion carried.
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> Motion by Rankin/O'Connor to recommend the Finance Committee return to *Open Session* at 5:31 p.m.
> Motion carried.

Mr. Rankin questioned the lack of flexibility in some policies. He believes that policies need to have some level of flexibility in them. There was a continued discussion on how policies are implemented and changed.

Ms. O'Connor expressed her opinion that the policies should be followed as they are written.

Ms. Wollrab indicated that she is totally in favor of policies, but feels that sometimes there needs to be some flexibility for certain situations.

Chairman Owens presented the May 31, 2013 Finance Committee bills for review and approval as transmitted by the County. The Finance Committee bills include a Prepaid Total of $782,380.10 and a Fund Total that is the same.

Motion by O'Connor/Rankin to recommend approval of the Finance Committee bills as of May 31, 2013 as recommended by the County Auditor.
Motion carried.

Chairman Owens presented the May 31, 2013 Nursing Home bills for review and approval as transmitted by the County Auditor. The Nursing Home bills include a Prepaid Total of $197,589.95 and a Fund Total that is the same.

Motion by Wollrab/Rankin to recommend approval of the Nursing Home bills as of May 31, 2013 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 5:42 p.m.

Respectfully Submitted,

Judith A. LaCasse
Recording Secretary

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