

FINANCE AND AUDIT COMMITTEE
McHenry County Government Center – Administration Building
667 Ware Road
Woodstock IL 60098

MINUTES OF TUESDAY, JUNE 27, 2006

Chairman Munaretto called the meeting to order at 9:30 a.m. The following Committee Members were present: Marc Munaretto, Chairman; Ann Gilman; Blake Hobson; Marie Chmiel; John Hammerand; and Perry Moy. Don Brewer arrived at 10:06 a.m. Also in attendance: Peter Austin, County Administrator; Ralph Sarbaugh, Associate County Administrator – Finance; John Labaj, Assistant County Administrator – Risk Management; Pam Palmer, Auditor; Barry Valentine, ESDA; Pat McNulty, Health Department; Jane Wacker, Mental Health Board; Don Rahn and Karen Afseth, representatives from Virchow, Krause & Company, LLP; interested public; and the press.

Marc Munaretto, Chairman	
Don Brewer	Marie Chmiel
Ann Gilman	John Hammerand
Blake Hobson	Perry Moy

MINUTES

Mr. Moy made a motion, seconded by Mr. Hobson, to approve the Finance and Audit Committee June 13, 2006 minutes. Ms. Chmiel asked that the minutes be changed to reflect her comment that the “correct attachment” needs to be included in the final Resolution to accept a \$54,445 grant and that the wording “and all pages should be initialed at the bottom” be eliminated in the paragraph discussing the report on the nursing agency contract. The minutes were approved as amended with a unanimous voice vote.

PUBLIC PARTICIPATION:

Mr. Mack Titus addressed the Committee. He asked if there were any questions regarding the document he had distributed at the last meeting. No questions were raised.

PRESENTATION:

Virchow, Krause & Company – Audited Reports and Internal Control Reports for 11/30/05: Don Rahn and Karen Afseth joined the Committee to answer any questions regarding the various audit and internal control reports as of November 30, 2005. Mr. Rahn stated that the Report on Federal Awards is a new report this year and provides information regarding changing environments as part of GASB. He noted that a “clean audit report opinion” (which is the highest opinion) is given in the Comprehensive Annual Financial Report (CAFR), which was prepared in-house this year. Mr. Hammerand asked why the table on page 151 of the CAFR did not include retirement expenditures for 03, 04 and 05 and why the Community Development lacked information for years 1996 through 2002. Ms. Palmer responded that this is partially because of the recent implementation of GASB 34 in 2003 as indicated in the footnote and that previously reported amounts for retirement had been allocated to various functions. It is now broken out into its own function. Ms. Gilman questioned Page 26 of the Circuit Clerk report regarding disaster recovery and asked how the County was funding the disaster recovery plan. Mr. Sarbaugh responded that \$200,000 had been allocated to this year’s budget for this project and it is also included in the Financial Model. Mr. Rahn also stated that the I.T. Department had addressed this concern in their response on Page 10 of the Report on Internal Control. Chairman Munaretto noted that the comments indicate a defined action plan for disaster recovery. He also stated that although there have been discussions of outside agencies using the current Valley-Hi facility, the Management Services Committee has determined that the building should be solely for use by the County.

Mr. Rahn reported that the Internal Control Report notes the following two reportable conditions that are not believed to be material weaknesses: (1) valley-Hi receivables and reconciliations; and (2) Insufficient internal controls over the County’s information system. He indicated that both conditions have improved and the County is heading in the right direction and continues to make significant improvements in each area. Ms. Afseth stated that Valley-Hi is taking steps to meet monthly deadlines and have more supervision with one person being accountable for this task. Technology abilities of staff will be improved with continued training to reconcile these issues. Ms. Palmer noted that the Auditor’s Department is aware of the problem and has been meeting regularly with Valley-Hi staff to define schedules and make sure everyone has the same understanding of the problems. She also stated that the Auditor’s Department is meeting with the bookkeeper for the Division of Transportation to make sure information is reconciled for receivables and payables related to open road projects. Ms. Chmiel asked if Valley-Hi would change their procedure for receivables and reconciliations. Ms. Afseth responded that the procedure will change to analysis by account. Ms. Chmiel questioned why a Management Report was not included in the Circuit Clerk’s Report. Mr. Rahn noted that a department report typically does not include a management report. He stated that GASB requires this as supplemental information and wants a stronger position taken by the auditor. He commented that such a report is always recommended,

but a department can choose not to include it in their statement. Ms. Chmiel questioned the current I.T. back-up system under the SUSTAIN program. Chairman Munaretto noted that data is backed up daily but the extent of the data control is unknown. Mr. Moy asked if the CAFR financial highlights noted on page III meet the five month financial reserves. Chairman Munaretto stated that the audit reports on past financial activity and is not responsible for the Financial Model. The Audit reviews our internal controls for meeting all accounting financial requirements. Ms. Chmiel asked what the timeframe was to reconcile our numbers with vacation time. Ms. Palmer stated that ADP is conducting tests to address some of these issues and to insure that accruals are correct. Mr. Austin noted that if the County Board adopts a modified Personnel policy this issue should be resolved by the end of the year. Chairman Munaretto thanked Mr. Rahn and Ms. Afseth for their report.

Mr. Brewer arrived at 10:06 a.m.

NEW BUSINESS

Resolution authorizing a part-time investigator position and an emergency appropriation to the State's Attorney's FY 06 budget: Mr. Brewer made a motion, seconded by Mr. Hobson to recommend the County Board approve a Resolution authorizing a part-time investigator position and an emergency appropriation to the State's Attorney's FY 06 budget. Mr. Brewer noted that the Law & Justice Committee had discussed this request and asked Mr. Bianchi to provide additional information. Mr. Bianchi stated that in 2004 they had 2.5 investigators and has decreased to 1.5. With the increase in investigative demands, Mr. Bianchi stated he would like to add one more part-time investigator position; the additional costs will be offset by service fees generated. He noted that with continued growth he expects to come back later in the year with a request to fill an open position. After the discussion, a roll call vote was called. The motion carried with all members present voting aye (Hobson, Brewer, Moy, Hammerand, Gilman, Chmiel and Munaretto).

Resolution authorizing acceptance of an award from ICJIA and an emergency appropriation to the Sheriff's FY 06 budget: Mr. Brewer made a motion, seconded by Mr. Moy, to recommend the County Board approve a Resolution authorizing acceptance of an award from ICJIA and an emergency appropriation to the Sheriff's FY 06 budget. Mr. Brewer noted that the grant will offset equipment costs and the match amount is included in the Sheriff's budget. On a roll call vote, the motion carried with all members present voting aye (Moy, Chmiel, Gilman, Brewer, Hammerand, Hobson and Munaretto).

Resolution authorizing an emergency appropriation in the Emergency Services & Disaster Agency's FY 06 budget: Ms. Gilman made a motion, seconded by Ms. Chmiel to recommend the County Board approve a Resolution authorizing an emergency appropriation in the Emergency Services & Disaster Agency's FY 06 budget. Mr. Valentine stated that the Resolution allows for the funds reimbursed by the State to be processed. The motion carried with all members present voting aye on a roll call vote (Moy, Chmiel, Gilman, Brewer, Hobson, Hammerand and Munaretto).

Resolution authorizing an emergency appropriation in the Emergency Services & Disaster Agency's FY 06 budget (HMEP Grant): Mr. Moy made a motion, seconded by Mr. Hobson to recommend the County Board approve a Resolution authorizing an emergency appropriation in the Emergency Services & Disaster Agency's FY 06 budget (HMEP Grant). A roll call vote was called. The motion carried with all members present voting aye on a roll call vote (Moy, Chmiel, Gilman, Brewer, Hammerand, Hobson and Munaretto).

Resolution authorizing an emergency appropriation for the McHenry County Mental Health Board FY 06/07 Continuation Funding Agreements: Ms. Gilman made a motion, seconded by Mr. Moy to recommend the County Board approve a Resolution authorizing an emergency appropriation for the McHenry County Mental Health Board FY 06/07 Continuation Funding Agreements. Ms. Wacker reviewed the request after which a roll call vote was called. The motion carried with all members present voting aye on a roll call vote (Moy, Chmiel, Gilman, Brewer, Hammerand, Hobson and Munaretto).

Resolution authorizing acceptance of the Americorps State Formula Funding Changes to the Mental Health Departmental Roster and an Emergency Appropriation to the FY 05-06 Mental Health Budget: Ms. Gilman made a motion, seconded by Ms. Chmiel, to recommend the County Board approve a Resolution authorizing acceptance of the Americorps State Formula Funding Changes to the Mental Health Departmental Roster and an Emergency Appropriation to the FY 05-06 Mental Health Budget. Ms. Wacker stated that this grant has been applied for twice and this is the first time they have received the grant award. Changes in the departmental

roster will include the addition of 14 Americorps Members and 1 AmeriCorps Program Coordinator. Mr. Brewer asked if these workers would be covered under the County's Workers' Compensation Insurance. Ms. Wacker will need to check on this. Ms. Gilman asked if a location in the Harvard area might be considered in the future. Ms. Wacker acknowledged that a location in Harvard would be desirable. Mr. Austin stated that the Mental Health Board will make a presentation on the Family Care Project at the August 1st Board meeting. On a roll call vote the motion carried with all members present voting aye on a roll call vote (Moy, Chmiel, Gilman, Brewer, Hammerand, Hobson and Munaretto).

Discussion of financing / funding Issues – Animal Control Facility: The Committee reviewed and discussed information provided to evaluate what the County could afford to spend on an animal control facility and how to finance the project. Mr. Sarbaugh summarized that the current facility was purchased in 1968 for \$42,143, an addition was added in 1994 at a cost of \$38,269 for a total capital investment of \$80,412 (which did not include a mobile trailer that serves as an office). The current facility has 4,148 square footage. The facility has been appraised at \$120,000, market value could be from \$120,000 to \$200,000. The facility has always received some kind of subsidy from the General Fund. The Health Department has been able to absorb some of the maintenance costs. The facility can continue to be used. Mr. Sarbaugh reported that cash funds available include \$293,593 in a Veterinary Capital Fund. The implementation of a cat registration fee could bring in an estimated \$160,000 and a proposed 10% increase in dog registration fees would add \$48,000. The General Fund has 6.19 months in reserve funds. Mr. Hobson stated that the Public Health and Human Services Committee did not support moving forward with imposing a Cat Registration Fee and felt this funding source should be removed. Ms. Gilman stated since this is a financial issue, staff should be directed to bring a "cat registration" proposal to the Finance & Audit Committee for consideration. Ms. Chmiel agreed noting that cat registration fees should be taken into consideration and there should be no discrimination between a cat and a dog. Mr. Brewer stated that the licensing cats will be a big issue and the revenues are purely speculative. Ms. Gilman asked to make a motion, Chairman Munaretto asked that the Committee wait until they have gone through the complete document before making any motions. Chairman Munaretto stated that the information on cash funds only are potential funds. Mr. Hammerand questioned if the Veterinary Capital Fund had been used for the well repairs. Mr. McNulty stated that fund was originally set-up through a donation and then added to from the Family Case Management Fund and is designated for large capital expenses. Chairman Munaretto asked that the Committee "get back on target." Mr. Sarbaugh indicated that the operating costs of the County are \$5,709,974 per month and there are 6.19 months in the General Fund Reserves. Chairman Munaretto pointed out that some of those dollars were already committed to future expenditures. Mr. Sarbaugh reported that with a decrease in the Health Insurance costs, elections contingency and other budget lines that are under budget there is a projected savings of \$1,000,000. He stated the County could also consider a mix of borrowing and cash reserves to fund an animal control facility. Chairman Munaretto stated the dilemma remains of what can the County afford to spend on an animal control facility and until a substantial step forward is made on how to proceed it will be hard to determine. Ms. Gilman asked what the County's policy was on how long we keep animals and how much space will be needed. Mr. McNulty stated that in 2001 the Board of Health indicated a need for 15,000 square feet for the Animal Control facility. Chairman Munaretto noted that the Management Services Committee had discussed the needs of animal control but no decision was ever made or adopted. Mr. McNulty also noted that animals can be kept for several months and if not adopted they are transferred out. Chairman Munaretto asked that the Committee focus back on the question at hand, How much can the County afford for an animal control facility? Mr. Sarbaugh stated that he had contacted Eric Anderson from Harris Bank and asked that he research debt certificate funding option for the facility. Members reviewed this funding option. Chairman Munaretto stated that bond funding on a million dollar does not appear to make sense at this point. After further discussion and calculations, Chairman Munaretto stated that without an honest answer as to what animal control needs are, as an action step the County could afford to spend 2.8 million dollars cash for an animal control facility. There would be no benefit to financing with the costs involved and short term borrowing with a local bank would not be recommended.

EXECUTIVE SESSION: None.

OLD BUSINESS:

Resolution authorizing adoption of the FY 06/07 Budget Policy: Ms. Gilman made a motion, seconded by Mr. Moy, to recommend the County Board approve a Resolution authorizing adoption of the FY 06/07 Budget Policy. Mr. Hobson asked if there would be a policy change to "compensated absences." Mr. Sarbaugh responded that until the policy is approved compensated time will be carried on the books. Mr. Hobson stated that the EEO Affirmative Action may be difficult for some vendors to show. Chairman Munaretto stated there is

no real discretion with this policy. Mr. Hobson asked if under the Enterprise fund there would be any consideration to returning tax dollars. Chairman Munaretto stated that would be an unrealistic goal. Ms. Gilman commented that funds must be saved for future expenses. Mr. Moy pointed out that consideration could be given to the Valley-Hi referendum. Chairman Munaretto asked to change the word "awarded" to "allocated." in the section on Elected Officials and Appointed Boards. He also stated that the word "when" should be changed to "if." Under grants, he asked that language be added to indicate the County's policy that "local match funds should come from the department applying for the grant" not the General Fund. He noted that this should not be a totally "black and white" issue and that the Committee should be able consider the possibility to seize a grant funding opportunity when a department may not have the matching funds. Chairman Munaretto asked what the Budget timelines were for this year, noting that the County Board Rules indicate that the Finance and Audit Committee would present an Annual Budget Policies Resolution to the County Board at a June meeting. Mr. Austin stated that the budget is available for departments on the intranet and many have already begun inputting. Chairman Munaretto asked for a voice vote to adopt the Resolution with amendments as discussed. The motion carried with all members present voting aye. Mr. Sarbaugh stated the Resolution would go to the County Board on July 18. Chairman Munaretto asked if this would allow for enough time to accomplish the task. Mr. Sarbaugh submitted a budget calendar indicating a proposed date of November 21, 2006 for adoption of the FY 06/07 budget.

REPORTS TO COMMITTEE:

Contingency Reports: Contingency Reports for Valley-Hi, the Court House remodeling, the Jail project and the General Fund were distributed.

Ms. Gilman stated that the McHenry County Council of Governments (McCOG) trail has been a good experience and suggested that membership in this association be added to the budget this year. Mr. Sarbaugh stated there is a line item for memberships and this item could be included. Chairman Munaretto noted that McCOG offers a direct relationship to working with municipalities and is different than other not-for-profit agencies.

Ms. Gilman asked if there was consensus to request that the Board of Health bring a recommendation to the Finance and Audit Committee for and Ordinance to adopt a cat registration policy. Mr. McNulty stated that the Board of Health is currently working on such an ordinance. Chairman Munaretto stated that the Finance and Audit Committee supports cat registration fees as a source of funding for an animal control facility. Mr. Moy and Mr. Brewer disagreed with Chairman Munaretto's comment. Mr. Austin added that McHenry County is the last of the Metro Counties not to have a cat registration fee.

ADJOURNMENT

Noting no further business, Mr. Moy made a motion, seconded by Mr. Hobson, to adjourn the meeting at 11:43 a.m. The motion carried with a unanimous voice vote.

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RECOMMENDED FOR BOARD ACTION:

- Resolution authorizing a part-time investigator position and an emergency appropriation to the State's Attorney's FY 06 budget
- Resolution authorizing acceptance of an award from ICJIA and an emergency appropriation to the Sheriff's FY 06 budget
- Resolution authorizing an emergency appropriation in the Emergency Services & Disaster Agency's FY 06 budget
- Resolution authorizing an emergency appropriation in the Emergency Services & Disaster Agency's FY 06 budget (HMEP Grant)
- Resolution authorizing an emergency appropriation for the McHenry County Mental Health Board FY 06/07 Continuation Funding Agreements
- Resolution authorizing the acceptance of the Americorps State Formula Funding Changes to the Mental Health Departmental Roster and an emergency appropriation to the FY 05-06 Mental Health Budget
- Resolution authorizing adoption of the FY 06/07 Budget Policy

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