

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

MINUTES OF TUESDAY, JANUARY 23, 2007

Chairman Munaretto called the meeting to order at 9:32 a.m. The following Committee Members were present: Marc Munaretto, Chairman; Lyn Orphal; Daniel Ryan; Barbara Wheeler; Tina Hill; and Marie M. Chmiel. John Hammerand was absent. Also in attendance: Ralph Sarbaugh, Associate County Administrator – Finance; Pam Palmer, Auditor; John Labaj, Deputy County Administrator; Peter Austin, County Administrator; Joe Korpalski, County Engineer – Department of Transportation; Eric Anderson, Harris Bank and Trust; Don Rohm and representatives from Virchow Krause; interested public; and the press.

Marc Munaretto, Chairman	
Marie M. Chmiel	John Hammerand
Tina Hill	Lyn Orphal
Daniel P. Ryan	Barbara Wheeler

MINUTES: Ms. Hill made a motion, seconded by Ms. Orphal, to approve the Finance and Audit Committee January 9, 2007 minutes and the Joint Management Services and Finance and Audit Committee minutes of January 9, 2007. The regular session minutes were amended by Ms. Chmiel and Ms. Palmer. Ms. Hill noted that the Resolution authorizing an emergency appropriation as noted in the joint meeting minutes would require a two-thirds vote by the County Board. The minutes were approved as amended with a unanimous voice vote.

PUBLIC PARTICIPATION: None

PRESENTATION:

*Virchow Krause:* Mr. Rahn, Karen Afseth and Heather Acre joined the Committee to provide an overview of the 2007 kick-off to the audit for the FY 2006 budget. Mr. Rahn noted that Virchow Krause has been conducting the outside audit for the County the past two years. Virchow Krause is a CPA firm that specializes in audits for units of government. He stated that the audit rules are constantly changing and the audit is conducted following all current rules and produces the final Comprehensive Annual Financial Report (CAFR) which is usually completed in mid to late May for submission to the GFOA. A timeline of scheduling fieldwork was reviewed. Preliminary audit work was completed in November after which the County reconciles the accounts. Financial audit work will begin in February with the single audit fieldwork to be done in early March and early April. Chairman Munaretto stated that this is the third year of a three year contract with Virchow Krause and the County may want to consider extending this contract for a longer period of time. Upcoming changes to GASB were presented, which included GASB 44 – statistical changes effective for FY ending 2006 and GASB 45 – post employment benefits which will become effective FY ending 2009. There are also changes in SAS 112 and 103 which will be effective FY ending 2007 and in SAS 104-111 which will become effective FY ending 2008. Mr. Rahn noted that all employees of Virchow Krause keep up to date on all auditing standards. Ms. Chmiel requested a summary of the SAS which Mr. Rahn agreed to provide. The Committee thanked Mr. Rahn, Ms. Afseth and Ms. Acre for their presentation.

*Debt Issuance Policy:* Eric Anderson joined the Committee and provided an update to the County's debt issuance policy and outstanding debt certificates. He noted that as of January, 2007 the County has \$30.8 million of outstanding debt certificates which mature in various amounts through January 2022. In addition, there are outstanding lease agreements of approximately \$1,500,000. The County's debt limit margin currently exceeds \$235,000,000. The County presently has a Moody's rating of Aa2 (with positive outlook). The County's debt rating has continued to increase since it was established in 2002. Mr. Anderson reviewed the difference between a callable debt and refunding a debt. Refunding is done for restructuring a debt which may or may not be callable. A callable debt provides a date at which the County has the right to pay off the debt. He also noted the value of the Financial Model which was created in 2001 and provides a tool for establishing financial goals and objectives for the County. Government revenues and expenditures have improved across all county operations, with revenues exceeding expenditures in seven of the past ten years. Mr. Anderson reported that the County's valuation continues to grow at a rapid rate with the County doubling its equalized assessed valuation since levy year 1996. The County can expect a significant growth in commercial property development over the next five years, especially in the Huntley and Woodstock areas. The County's unemployment rate has averaged less than the State of Illinois rate over the past decade. A summary of the County's future capital needs was provided which included additional investment for roadways, a possible public safety building and additions to current facilities. Mr. Anderson noted that interest rates can fluctuate and if the County is able to capture a savings of more than 3% by refunding it would be considered good financing. Chairman Munaretto thanked Mr. Anderson for his presentation.

NEW BUSINESS

*Resolution authorizing a change in the Methodology on Funding of New Transportation Projects:* Ms. Hill made a motion, seconded by Ms. Chmiel, to recommend the County Board approve a Resolution authorizing a change in the methodology on funding of new transportation projects. Chairman Munaretto stated that currently the County funds road projects using a "pay as you go" method. Once the highway funds have enough fund balance reserve to cover the cost of a project, the project moves forward. This method is not keeping up with the increased road demands. The County could see a savings in construction costs if projects were not put on hold for years while waiting for available funds. The proposed Resolution would allow the County to borrow money by bonding against the highway fund reserves which would let the County move forward with construction and improvements to the County roadway system. Ms. Chmiel stated the in addition to the cost savings the new methodology would also address public safety concerns in a timelier manner. Chairman Munaretto stated that should the time come when the County no longer needs new roads, there will still be the ongoing need for road maintenance. After discussion, a roll call vote was called. The motion carried with all members present voting aye on a roll call vote (Chmiel, Hill, Orphal, Ryan, Wheeler and Munaretto).

*Resolution authorizing amendment to an agreement with Andy Frain Services, Inc. for security services and a budget line item transfer in the Valley-Hi Nursing Home FY 06-07 budget:* Ms. Orphal made a motion, seconded by Ms. Wheeler, to recommend the County Board approve Resolution authorizing amendment to an agreement with Andy Frain Services, Inc. for security services and a budget line item transfer in the Valley-Hi Nursing Home FY 06-07 budget. The motion carried with all members present voting aye on a roll call vote (Chmiel, Hill, Orphal, Ryan, Wheeler and Munaretto).

*Resolution authorizing funding for Phase 4 and Phase 5 of the Courthouse Remodeling Project:* Mr. Austin reported that this proposed Resolution will allow for the close-out of Phase 4 of the Courthouse remodeling projects and additional funds to allow for the completion of Phase 5. Phase 4 of the project was amended to include the ability to lock-down the State's Attorney's offices, which raised the project costs. Ms. Orphal made a motion, seconded by Ms. Wheeler, to recommend the County Board approve Resolution authorizing funding for Phase 4 and Phase 5 of the Courthouse Remodeling Project. Mr. Sarbaugh stated that the dollar figures in the Resolution may change slightly, but he would not have the final figures until he is able to meet with the Director of Purchasing. Chairman Munaretto stated that perhaps the Committee should defer this item until the Resolution properly reflects the dollar amounts. Mr. Austin stated the figures should not differ greatly and asked that the project be allowed to move forward. Chairman Munaretto also raised concern that the General Fund would be used as the funding source. Ms. Orphal asked if the General Fund could be reimbursed through the dollars being rolled into the funds borrowed for the Sheriff's telecommunications projects. Mr. Austin felt this may be an option. Members noted that this Resolution will require a two-thirds vote of the full County Board since is it requesting an emergency appropriation. On a roll call vote, the motion carried with all members present voting aye on a roll call vote (Chmiel, Hill, Orphal, Ryan, Wheeler and Munaretto).

Chairman Munaretto stated that in order to simplify emergency appropriation requests, such requests need to be brought to the attention of the Members. To do so, he asked that such items be put on the County Board consent agenda with an asterisk – noting that the item requires a two-thirds vote (16) of the County Board. This will keep all members aware of this requirement should an item be pulled from the consent agenda.

Mr. Munaretto left the meeting at 11:10 a.m. Vice-Chairman Orphal presided over the remainder of the meeting.

*Discussion on amended promissory note for E's Bakery:* Mr. Labaj provided an update to the promissory note for E's Bakery. He stated that due to the closure of Ackman Road the owner has experienced a decline in business causing profits to decrease substantially. He reviewed options that may be considered to help the owner survive this slow-down, noting that the owner is committed to this business. The original loan was for \$60,000 with monthly payments of \$880. After a discussion, the Committee directed Mr. Labaj to lower the loan payments for the next 12 months to \$270 per month with a review of the business finances in six months.

EXECUTIVE SESSION: None

OLD BUSINESS: None

REPORTS TO COMMITTEE:

*Auditor's Report:* Ms. Palmer reported she has met with the State's Attorney to discuss the proposed "hotline" the reporting of waste, fraud and abuse and they have given their okay to the project. Information on the hotline" will be up on the County's website in the near future. The Internal Audit Plan should be finalized in the next week. The department will keep a time schedule to be able to budget hours for next year.

*Contingency Reports:* None

*EDC and Convention & Visitors Bureau:* None

ADJOURNMENT

Noting no further business, Ms. Hill made a motion, seconded by Ms. Chmiel, to adjourn the meeting at 11:27 a.m. The motion carried with a unanimous voice vote.

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**RECOMMENDED FOR BOARD ACTION:**

- Resolution authorizing a change in methodology on funding of new transportation projects
- Resolution authorizing amendment to an agreement with Andy Frain Services, Inc. for security services and a budget line item transfer in the Valley-Hi Nursing Home FY 06-07 budget
- Resolution authorizing an emergency appropriation in the FY 07 budgets for the County Courts and related services fund and the General Fund for construction Phases 4 and 5 of the Courthouse Remodel project (requires a two-thirds vote of the County Board)

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