

Public Building Commission (PBC) Internal Audit Review

July 8th, 2020

The McHenry County Public Building Commission (PBC) was incorporated in March 1964. Primary purpose of the Commission has been to pursue the location, design, and construction or enlargement of public facilities. It was thought the Public Building Commission was needed to issue debt. However, starting approximately 15 years ago the County Board utilized installment loans as the preferred funding mechanism, which the statute allowed.

[50 ILCS 20 Public Building Commission Act](#)

Internal Audit Observations:

1. PBC's bank account is managed by President/CEO/CFO of Golden Community Bank. The external audit with WIPFLI is also coordinated by the Bank.
2. Per PBC financial statements, the only revenue received is for interest (FY19 of \$3,157). The cash balance is \$147,316. Expenses noted in FY19 are secretarial, legal, audit, and insurance; totaling \$7,516. Change in net position is a loss of \$4,359. Annually, the commission is costing taxpayer money to maintain the fund.
3. In FY2010 and prior the PBC was reported on the County's financial statements as a non major debt service fund. Due to implementation of GASB (Government Accounting Standards Board) statement #54 the reporting of blended component units were reclassified as a special revenue fund in FY2011 as if they were part of the primary government, even though they are legally separate.
4. The Public Building Commission has decreased its cash balance in nine years by \$58,447 due to management expenses and limited interest. Cash balance was \$205,763 in FY2011.
5. The County's financial statements have reported the PBC's fund balance \$140,410 less as compared to PBC statements. According to prior financial leadership and notes the \$140,410 difference is related to the County's investment into the Public Building Commission.
6. It was originally believed the PBC was the only way to issue bonds; however, the County issued installment purchase agreements instead via ordinance as a more economic avenue.
7. There is a reduced expectation to be enlarging public buildings in the foreseeable future due to slowed population growth and increased staff ability to work remotely.
8. 50 ILCS 20/22.1 allows for PBCs to be dissolved via County Board resolution due to inactivity and since all related obligations have been paid. Furthermore, the Treasurer of the Commission shall transfer all remaining funds under its control to the County Treasurer upon dissolution.

Recommendations:

It is recommended for the County Board to review the PBC's ongoing value to the County. If value is limited, it is recommended to dissolve the PBC via resolution due to inactivity/costs and utilize the remaining funds to address future necessary capital projects, as determined by the County Board.

Management Response Administration: *A State's Attorney opinion has been received that offers a path for the dissolution of the Public Building Commission. While a handful of questions remain, County Administration will be happy to work toward bringing this issue before the County Board for their policy consideration.*