

MINUTES OF A MEETING OF THE FINANCE COMMITTEE HELD AT 4:30 P.M., WEDNESDAY, JULY 27, AT THE NOBLE CENTER FOR PARK DISTRICT ADMINISTRATION, 1125 WEST LAKE AVENUE, PEORIA, ILLINOIS.

MEMBERS PRESENT: Trustee and Chair Timothy Bertschy, Trustee and Vice Chair Alexander Sierra, and Member Executive Director Emily Cahill

MEMBERS ABSENT: None

TRUSTEES PRESENT: Trustees Timothy Bertschy, Alexander Sierra, and President Robert Johnson (arrived at 4:37 pm)

STAFF PRESENT: Executive Director Emily Cahill, Scott Loftus, Karrie Ross, Brent Wheeler, and Alicia Woodworth

OTHERS PRESENT: None.

1. CALL TO ORDER

Trustee Timothy Bertschy presided and called the meeting to order at 4:30 pm.

2. ROLL CALL

3. MINUTES

3.A. Approval of June 6, 2022 Finance Committee Meeting Minutes

3.B. Approval of June 22, 2022 Finance Committee Meeting Minutes

Trustee Sierra MOVED TO APPROVE the minutes of the June 6, 2022 AND June 22, 2022 Finance Committee Meeting Minutes. Motion seconded by Trustee Bertschy and carried on a unanimous aye of those present.

4. NEW BUSINESS

4.A. Review of Accounts Payable

Trustee Bertschy stated that the Finance Committee performs many functions, including the review of the monthly credit card bills and monthly financials, annual review of the audit, and other tasks such as the review of financial policies. As such, he asked if it is realistic for the committee to take a detailed look through the numerous pages of the credit card report on a monthly basis and realistically, what is the expectation and responsibility of this committee? Karrie Ross stated that the review of monthly financial reports is a somewhat perfunctory requirement. Park Code does have language regarding the function of the Board reviewing bills of the entity. She does believe that that language is somewhat antiquated at this point, much like in the budget appropriations ordinance. The language reflects when the idea of park districts such as ours was much smaller, writing very few checks per month and with little to no credit card purchases. Because the language still does exist, some form of the list of bills is to be provided to the Board. Emily Cahill explained that the internal review and processing of payment has already been applied by

the time the report reaches committee and Board. Even though the bills have already been paid, the law still requires the reports be presented to the Board for approval.

Trustee Bertschy asked President Johnson what he anticipates the Finance Committee should do in terms of reviewing 60-80 pages per month of credit card bills. President Johnson stated that in the past, unless someone finds something that is out of order or has a question on a specific charge, the Board has trusted that the staff has reviewed and processed the charges thoroughly before presenting to the Board and staff does a good job in this regard. He stated that also, the District once again received an accounting award. The only concern he would have with the Finance Committee is when budget time comes. President Johnson does not believe the Board has enough input into the budget process and this should start in the Finance Committee. Otherwise, he believes Karrie Ross and her team do a very good job. He appreciates that no matter what the financial situation of the District is, staff always finds a way to provide the scholarship program to low income patrons. Trustee Bertschy agrees with all that has been stated. He thinks what the Finance Committee should know is what the Park Code requires. He thinks it is incumbent upon the committee to know what their duty is. How it is interpreted could be for everyone to think about. The committee and Board will continue to receive and review the report, today's discussion was to clarify what the committee and Board's duty is in relation to the reports.

Trustee Bertschy asked when any credit card charge comes in, what is the full review and payment process? Karrie Ross stated that before a credit card is issued to an employee, their supervisor approves a request for the credit card and sends the approval form to the Purchasing Supervisor. The Purchasing Supervisor then orders the credit card. In order for the credit card to be issued to the employee, the employee signs an agreement that outlines the ethics regarding their use of the card as an employee. The Purchasing Supervisor then provides the employee with training on how to reconcile their expenses. The reconciliation is done through an online portal where a description of what the purchase was and the budget line the purchase should be charged to. An itemized receipt is to be provided to the Purchasing Department. for the purchase. Two individuals in the Purchasing Department review the receipts and description to make sure they match. The Purchasing Supervisor performs a next level review to make sure everything is correct and the amount that has been reconciled from the employee matches the amount of the monthly bill shown on the credit card statement. The Purchasing Supervisor then downloads that information and provides it to the Finance Manager. The Finance Manager then reviews the information, checking for accuracy and makes sure the amount paid to the credit card company matches the statement amount billed. The Purchasing Supervisor does not have access to the online bank/credit card information. The Finance Manager also reviews things like grant-funded budget lines, making sure the descriptions for items charged to the grant budget line makes sense for the grant because if not, the District audits the grant budget in order to find out where to place those grant-related expenses, ensuring the District complies with the grant on all expenses. The Finance Manager then completes the credit card report in the format that is presented to the Finance Committee. Prior to being presented to the Finance Committee, the report is reviewed by the Superintendent of Finance and Admin Services and posted on the District's intranet for all staff to review, particularly other managers. It then is presented to the Finance Committee and Board for review.

Trustee Bertschy referred to a comment he made at the 6.22.22 Board meeting where the auditor presented their audit report findings. Trustee Bertschy addressed the auditor stating: **NOTE: This is an excerpt of the 6.22.22 Regular Board meeting minutes that were approved by the Board on 8.10.22:**

“Trustee Bertschy stated that at the end of the internal control letter, it states “The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.” As such, who is it that is to determine the effectiveness of the entity’s internal control system and compliance? Katie Bermingham stated this is a standard report that is required by Government Auditing Standards and they compiled that language. If there was an issue with the internal controls, CLA would report it. CLA performs specific testing throughout the year and relies on those internal controls to ensure compliance by both the Board and staff. Trustee Bertschy stated that in upcoming Finance Committee meetings, discussions should be had about how the Trustees addressed the portion of Board responsibility.”

Trustee Bertschy clarified that the auditors look at the internal controls but they do not apply them. Karrie Ross stated that when the District engages with the auditors for the annual audit, they are not auditing the entirety of internal controls. There are work papers the District prepares for them outlining what staff have access to do which things and the auditors review the work papers and question staff to ensure they’re correct. The auditors will audit the District’s online banking, accounting, and payroll systems and the users for each of those systems. The auditors do not perform a full audit on all internal controls. That is the responsibility of District management and the Board. The auditors would provide commentary if they found failures in the work papers. They do test certain transactions from each system. If the auditors found any issues with any of them, it would be reported to the Board. It is important to note that not every transaction is tested.

Trustee Bertschy stated that the Finance Committee is discussing internal compliance systems today and he asked what the Finance Committee’s role in this internal compliance is when it comes to this specific process? He wants to make sure the committee feels comfortable should anyone ever ask a question about any issues, that the committee and Board has met their fiduciary standard to address the items that were particularly stated by the auditor. Karrie Ross stated she believes the Board is doing what would be expected to meet the threshold. In her role as Superintendent of Finance, professionally and ethically, it would be her duty to report to the Board any issues should they arise. If there is an interest from the Finance Committee to have more oversight or understanding of the work paper preparations done regarding internal controls for the external auditor, it may be prudent to discuss and review. Trustee Bertschy stated he would indeed like to start that review and discussion process.

4.B. Review of June 2022 Financials

Karrie Ross stated that at the end of June, the District's active summer season is well on its way. In the month of June, the zoo and golf had strong revenue generation, given the relatively mild weather. Facility offerings provided through the grant funded Summer of Fun saw increased participation, especially Gwynn Family Aquatics, with nearly 3,000 Summer of Fun visits through 6/30. The redemption value of Summer of Fun through June was \$35,500. Camps across the District were filled to capacity (\$250,000 charges for service through 6/30), and the first almost "normal" RiverFront Event season began in earnest (approximately \$63,000 in Landings charges for service).

Ross noted that inflation and the tight labor market continue to pose challenges. It's anticipated that when revised budgets are prepared in the coming months, there will also be expense overruns on supply and utility expenses, due to inflation. At the end of June, the District's overall supply expenses paid is 50% of budget, whereas in 2021, it was only 40%, and the overall utility costs paid is 37% of budget, versus 29% of budget in prior year.

Further, the labor market has been very difficult for managers to handle this year. It's been difficult to find qualified staff, wage rates for seasonal staff have had to increase to attract talent, and once hired, the turnover rate of staff has been much greater than any time in recent history. These stressors have been very difficult on managers; however, the financial impact of the labor market has been mitigated by being forced to run at lower employment levels when unable to find staff and/or staff leave. At the end of June, the District's wage expenses paid was 43% of budget, compared to 41% of budget in prior year.

Beyond the struggles associated with the current market conditions, the District's nonoperating revenue (taxes) remain incredibly strong. In June, the District received its first installment of property tax (\$7.5 million), bolstering balance sheet cash, and replacement tax funds received through June were more than \$1 million higher than prior year. The strength of the District's nonoperating revenue should offset expense overruns associated with inflation this year.

Trustee Bertschy asked if it is possible that the state can come back to PPD and state that they overpaid us in replacement taxes and they want it back and it's possible that next year we won't get any replacement tax? Karrie Ross stated yes on both accounts. Trustee Bertschy asked If next year we are in a deficit, how do we as fiscal stewards address that? Karrie Ross stated that operating revenue comes from two primary sources: property taxes and replacement taxes. Property taxes are generally very predictable. Replacement taxes are more volatile and can be challenging to budget for. To avoid a deficit, the District uses a very conservative accounting approach to replacement tax revenues as part of the budgeting process to mitigate the impact of the volatility on the District's financial position. Trustee Bertschy asked why the RiverFront Events Fund was so low. Karrie explained that it is most likely due to the fact that the big revenue-generating festivals have yet to be held. SouFest, Irish Fest, and Oktober Fest will all be held later this summer and will hopefully generate the anticipated revenue.

Trustee Sierra inquired about an item on page 127 of the Payables Distributions to Ledger report, what is explanation for the reference p6p7451102104 payable to Brewers Distributing Co.? Karrie Ross stated that was a payment for Newman Golf Course and reference to the budget line stated on the check.

Karrie Ross next shared that RiverPlex revenues are down \$478,000 compared to 2021. However, this variance is primarily because the RiverPlex fitness operations is no longer paying \$86,253 per month in rent to the RiverPlex facility. After adjusting for the discontinuation of RiverPlex facility rent revenue associated with the former PPD/OSF Fitness partnership, the RiverPlex's fund revenues are actually up \$39,000. That increase in revenue is largely tied to the new OSF medical lease revenue, which is higher than the prior agreement. The charges for service revenue at the facility are down approximately \$40,000 from prior year. Because of the new partnership with the YMCA, the District had to make some educated guesses about how the facility would generate revenue which were impacted to COVID early in the year and continued volatility of fitness centers.

4.C. Budget Timeline Review and Policy Impact

Emily Cahill stated that staff needs direction as to how to proceed in the financial policy review planning that would align with the following budget dates:

Budget directions provided to staff by August 8, 2022

Rough draft budgets due August 31, 2022

Finance Policy review: September 2022

Budget books finalized no later than October 7, 2022

First budget presentations: November 2, 2022

Trustee Bertschy suggested that we pick three days, 4 hours each day, to complete the review of the financial policies. Otherwise, he does not see how this can be done effectively.

Emily Cahill stated that the only policy identified by the committee for review that has a specific impact on how we budget is the Fees and Charges policy. The others have an impact on how we operate but don't change the budget process. Trustee Bertschy clarified stating that the District needs the Fees and Charges and the Scholarship policies reviewed, revised and approved by the end of August in order to be implemented for the budget process? Karrie Ross stated that was correct. Trustee Bertschy stated a meeting will be held before August 15 to review the Fees and Charges and Scholarship policies in order to get to the Board for approval in time. Then, some time in September the committee will circle back and review the remaining financial policies. A discussion meeting was set for this Friday, July 29 at 8:30 am to review these policies.

4.D. Policy Review

i. Fees and Charges Policy

Due to time constraints, no discussion at this time.

4.E. Prioritization of Remaining Policies Identified for Review

i. InterFund Policy Review

Due to time constraints, no discussion at this time.

ii. Grant Policy Review

Due to time constraints, no discussion at this time.

5. OLD BUSINESS

None

6. PENDING BUSINESS

None

7. OTHER BUSINESS

7.A. Action Step: Investment Policy/Strategy

Due to time constraints, no discussion at this time.

8. ADJOURNMENT

At 6:13 p.m., Trustee Sierra MOVED TO ADJOURN. Motion seconded by Trustee Bertschy and carried on a unanimous aye of those present.

Respectfully Submitted by Alicia Woodworth
Executive Assistant and Secretary to the Board