

FINANCIAL MANAGEMENT COMMITTEE

January 5, 2011

8:30 a.m.

PRESENT: Jo Ann Blankenship, Tom Bowers, Dr. Shirley Ellis, Pat Hicks, Leon Humphrey, Jerome Kitchens, Jack Perkins, and Harry Sisk.

The meeting was called to order by Jo Ann Blankenship.

Motion was made by Pat Hicks, second by Dr. Shirley Ellis to approve the minutes from the December 1, 2010 meeting. Motion carried.

Unfinished Business

Jail Update: Mayor Humphrey stated that he had spoken with Summers Taylor and Mark Rodgers concerning the soil removal and paving of the jail parking lot. Work is planned to begin on Monday, January 10th if the weather permits. He also said that the water meter has been set, and all issues with the vault have been resolved. Further discussion was then made about the implementation of training employees for the new building. Jo Ann Blankenship stated that Ron Street had advised that training had not begun because of overtime costs that would be required. She mentioned the fact that she had suggested the hiring of 6 officers during the budget process to supplement the workforce for training needs, but that the Sheriff did not request that in his budget. Mayor Humphrey wanted to clarify a statement that was made by Blaine Construction saying that the project was behind schedule because of the county's failure to provide water service to the building. He stated that this was entirely false, and that the county had received no notification from anyone about the problem until the last meeting with the contractors.

New Business

Resignation of Jerome Kitchens, Director of Finance: The Committee reviewed the resignation that had been submitted by Jerome Kitchens. Jo Ann Blankenship applauded Mr. Kitchens for the work he has done during his tenure as Director of Finance. She also briefed the Committee of the 5-step increase in salary that was approved in 2007 that had not been implemented as approved.

Jerome Kitchens stated that a couple of issues would arise as a result of his resignation. The first would be the need to appoint an Interim Director of Finance upon his resignation. He recommended that Ingrid Deloach be placed in that position. The second was the need for the Interim Director to be placed on the signature card.

Motion was made by Jo Ann Blankenship, second by Jack Perkins to appoint Ingrid Deloach as Interim Director of Finance. Motion approved.

Motion was made by Pat Hicks, second by Harry Sisk to add Ingrid Deloach to the signature card. Motion carried.

Audit Report Review: Jo Ann Blankenship gave a brief review of the findings that were listed in the Annual Financial Report for June 30, 2010 and then asked Mr. Kitchens to speak to each finding.

Finding 10.01: Jerome stated that this finding was a result of findings from the Office of Circuit and General Sessions Courts Clerk that have been reported for three or more consecutive years. He said that these would result in a finding for the County, since they have recurred. He also mentioned that even though these have each been aggressively reviewed by the Financial Management Committee the State recommends the formation of an Audit Committee to review the findings. This Committee would not involve management and would give a non-management view.

Finding 10.02: Mr. Kitchens said that this finding was a result of ARRA funds received by the school department being hyper-technical. He stated that the funds came in large amounts, and they came very quickly. He also said that the details or policies regarding the funds were continually changing.

Finding 10.03: Jerome advised this was a result of the warrant system being used in the Trustee's Office instead of the recommended checking system. He stated that Randal Lewis was currently working with the bank to implement the new checking system, but the process is not complete at this point. Mr. Kitchens also advised that the Finance Department has policies in place that will be implemented to comply with the checking system upon its inception.

Finding 10.04 and 10.05: Jerome said that these findings were the recurring findings that have appeared for the Office of Circuit and General Sessions Courts Clerk. He stated the he has been told that the office is showing significant improvement, but they are not where they need to be yet.

Finding 10.06: Jerome stated he had no explanation for this finding.

Finding 10.07: Jerome noted the Sheriff's response to the finding that is listed in the report. He stated that a fraud report does not accuse, but it points direction for review of the suspicious act.

Finding 10.08: The Sheriff's response was noted on this finding as well. Jerome reported that the Finance Department has conducted two random audits of this fund, and both have reconciled to the penny.

Mr. Kitchens also expressed the need to not only look at the findings in the report but to also look at the financial data. He noted that Net Assets were reported at \$24.9 million and Fund Balance had increased by \$286,000 from the prior year. He stated that comparing the current report with previous reports would give an overview of the general condition of the County. He advised this information could be used in budgeting for the coming year. Discussion was then made of upcoming budget items and sales tax division.

Audit Committee Resolution: Mayor Humphrey stated that this committee would be formed to address financial and reporting practices and implement internal control. He advised the County has committed to the State that this committee will be formed by the end of February.

Motion was made by Tom Bowers, second by Jack Perkins to approve the Audit Committee Resolution. Motion carried.

Financial Director's Salary: Jo Ann Blankenship once again advised that a 5-step plan had been approved in 2007 to increase the salary of the Finance Director to that of the Trustee. She stated that the current salary is \$54,800 and that anything above that would have to be approved by the Commission as an amendment to the budget.

Motion was made by Pat Hicks, second by Jack Perkins to proceed with the 5-step plan going forward starting with the next budget year. Motion carried.

Recent Bids: A list of the most recent bids was reviewed.

County General Update: Mayor Humphrey stated that the HVAC installation in the courthouse should be complete by the end of the week. He also advised that Johnson Controls had conducted an audit of the entire building and would be reporting back with recommendations to regulate the temperatures in the remaining parts of the building. Mayor Humphrey also announced a regional meeting that would be held with Judge Larry Potter on January 24th at 10:00 at the Carnegie Hotel in Johnson City. He stated this would be to discuss the possibility of a forming a court designed specifically for litter ordinance violations that could speed up the current process. Finally, Mayor Humphrey stated he will be meeting with the Regional Health Office and Dr. Holt from ETSU to discuss the matter of hiring a doctor for the Health Department.

Highway Department Update: Jack Perkins reported that the last 3 weekends had been very treacherous for his department. He stated the expenses that had been incurred were tremendous. He noted the need to purchase 2 new snow trucks and that 2 small trucks are on the way. He also advised of the upcoming deadline for replacing all road signs with reflective materials. He stated this would probably cost the County an estimated \$100,000.

School Department Update: Dr. Ellis informed the Committee of an upcoming meeting between the School Board and the Education Committee on January 10th. She stated that she and Daniel Holder will present details of the future needs of the school system. She also updated on the installation of entrance security systems in all elementary schools and Happy Valley Middle School. Lastly, she stated that the system is anticipating the release of the report cards from the State later this month.

Other Information: Jo Ann Blankenship informed the members they would receive contact from her as soon as resumes were received as to a schedule for interviews for the Director of Finance position.

Tom Bowers requested direction from the Committee for an item that would be coming before the Budget Committee concerning renewal fees for commissioners enrolled in the 3-star program.

Motion made by Dr. Shirley Ellis, second by Tom Bowers to recommend to the Budget Committee the reimbursement of the renewal fees for certification to the three commissioners who have requested. Motion carried.

Motion made by Jo Ann Blankenship, second by Harry Sisk to send to the Budget Committee that the \$300 for enrollment for the certification program be made available to any commissioner that desires to enter in the program and refer to the Rules and Bi-laws Committee the need for a policy to follow. Motion carried.

Tom Bowers requested that John Paul Mathes be invited to attend the next meeting to address Finding 10.06 in the Annual Financial Report.

Motion made by Pat Hicks, second by Harry Sisk to adjourn. Motion carried.

Respectfully submitted,
Ingrid B. Deloach

Jo Ann Blankenship, Approved for File