

Sullivan County NH

Type of Meeting: Sullivan County Full Delegation
Date / Time: June 11, 2007 / 9:00 am
Place: Sullivan County Probate Court and
Commissioners' Conference Room

Participants

Representatives: Peter Franklin (Chair), Ray Gagnon (Vice-Chair), Ellen Nielsen (Clerk),
Larry Converse, Sue Gottling, Arthur Jillette and Beverly Rodeschin

Commissioners: Ethel Jarvis and Jeff Barrette

Jeff Graham, CPA

Dodi Violette, Bookkeeper

Public Participants: none

The meeting was called to order by Rep. Franklin at 9:15 am. This meeting was a continuation of the recessed meeting of June 4, 2007.

Agenda Review:

The main item on the agenda was to be a continuation of the delegation's review of the county finances, with a report from the county manager and the nursing home administrator, who could not attend. Mr. Graham, who is a CPA employed on an hourly basis by the county commissioners, attended the meeting at the county manager's request.

Minutes of June 4, 2007:

Rep. Converse moved that the minutes be accepted and Rep. Gottling seconded the motion.

After one spelling correction (Gillette was changed to Jillette) these minutes were accepted by a unanimous voice vote.

Review of County Finances:

Rep. Nielsen moved that the delegation direct the Executive Finance Committee not to approve the borrowing of any additional money for fiscal 2007 without first being provided with a cash flow statement showing what the county has on hand and expects to receive in revenues, and what it will have to spend before June 30, and that the EFC not approve any borrowing for fiscal 2008 at this time. Rep. Gottling seconded the motion.

Extended discussion followed:

Rep. Gottling, a member of the EFC, spoke to the motion, saying that on May 21, Mr. Graham had stated that the county probably would not have to borrow more money, and probably would be able to repay much of what it had borrowed before June 30. Since then, the EFC has received different financial statements and more requests to approve borrowing large amounts of money against the county's two-million-dollar line of credit. Rep. Rodeschin said the county treasurer should be present at this meeting and asked if the delegation wanted to close down the county.

Rep. Franklin described the procedure for borrowing money: First, the county commissioners must determine the financial need, and request approval for the borrowing from the EFC. Then the EFC must ask the county treasurer for permission to

borrow money. The county commissioner's office, not the county treasurer, keeps the detailed financial records.

Rep. Rodeschin asked what had happened to all of the tax money—"What does the treasurer do with it?"

Rep Franklin explained procedures for county financial transactions: Bookkeeping for the county is done by Dodi Violette, the head bookkeeper. All revenue goes through the county commissioners' office, as do all expenditures, including those for the nursing home. Revenue goes either to the investment account, or to a checking account (in a different bank). When bills are to be paid, a manifest is prepared in the county office, and the commissioners sign off the manifest and all invoices. Then the county treasurer transfers the required funds from the investment account to the checking account. If there are not enough funds in the investment account, the treasurer, with the approval of the EFC, borrows the needed money. The amount to be borrowed is determined in the county office and not by the treasurer. Rep. Franklin stated that according to his calculations, in fiscal 2007 the treasurer has been asked to borrow almost \$1,662,000 against a previously arranged \$2,000,000 line of credit, leaving \$338,000 which can still be borrowed.

Rep Gottling said that we (the EFC) don't know what is being authorized, and we don't know how much it has cost to run the county this year. It is important that financial information and financial transactions do not overlap between fiscal 2007 and fiscal 2008.

Rep. Franklin asked Jeff Graham if he could tell the delegation how much money is in the investment account and the checking account at this time. Mr. Graham went downstairs to the commissioners' office in order to use the computers to access this information.

Rep. Rodeschin asked if the county would be late in paying current bills if the delegation passes this motion.

Rep. Franklin there is some lag time, and that the \$500,000 borrowed on June 5 should be enough to cover the June 15 county payroll.

Rep. Rodeschin asked the two commissioners present (Barrette and Jarvis) how they felt about the motion.

Rep. Franklin said that the commissioners could speak to the motion later but first the delegation should discuss the motion.

Representative Rodeschin said that the delegation should not try to micro-manage the county finances, and then left the meeting.

After Rep. Rodeschin left, there no longer was a quorum. The remaining representatives agreed to continue the meeting in order to get more information, even though it was not possible to vote on the motion.

Rep. Gagnon asked how the county could avoid going into debt for \$10,000,000 (the \$2,000,000 line of credit for fiscal 2007 and the proposed \$8,000,000 to be borrowed at the beginning of fiscal 2008).

Rep. Nielsen said that this appears to be an unusual situation, and that maybe it is necessary for the delegation to micro-manage.

At this point Commissioner Barrette asked to speak to the motion. He said that the first part of the motion was in order and that the oversight of borrowing and spending was long overdue. However, he is concerned about creating a roadblock to carrying out county business in fiscal 2008—it might be hard to convene the EFC and approve necessary borrowing. Members of the EFC who were present said that it fairly easy to call a meeting of the EFC and only three members were needed for a quorum.

Commissioner Barrette continued, saying that he had concerns about borrowing \$8,000,000 at the beginning of fiscal 2008. The county expects to receive about

\$10,700,000 in taxes in mid-December 2007, and if the county ends fiscal 2007 with a debt of \$2,000,000 and borrows another \$8,000,000, most of the tax revenues would be used to repay the borrowed money. Commissioner Barrette would like to see a detailed financial management plan for the county which is updated every 14 days. He said that he did not intend to ask the County Treasurer to borrow \$8,000,000.

Commissioner Barrette added that the June 15 county payroll will be covered by the \$500,000 borrowed on June 5, and the remaining amount in the line of credit, along with revenues which will come in during June, will be enough to cover the June 29 payroll. At this point Mr. Graham returned to the room with additional information which he had just obtained from checking the financial data in the computer files and by talking with Dodi Violette, the head bookkeeper.

Several representatives asked whether or not Genesis has been paid. At this point, the head bookkeeper, Dodi Violette, was asked to bring her laptop into the room and check out some of the numbers. However, the WIFI did not work in the third-floor probate courtroom. The meeting was recessed briefly and reconvened in the commissioners' conference room.

Having checked the financial records, Commissioner Barrette informed the delegation that Genesis has been paid, and that he had signed off on the invoice. Rep. Franklin said that in June 2006, the county convention had approved a nine-month contract, and that Genesis should have been paid \$337,500 [three fourths of \$450,000, which is the maximum amount specified for a twelve-month contract]. Commissioner Barrette said that there is a contract, and we are being billed on it. Rep. Franklin said that the county convention should have had the final say, and that he also has serious questions about the amount of the nursing home administrator's salary. Commissioner Barrette stated that he could not speak to things that had happened before his term started and he wants to move forward and make things right.

Rep. Gagnon asked if Mr. Graham could go over the figures he had provided and explain them more fully. The commissioners and representatives reviewed photocopies of Mr. Graham's handwritten notes and asked many questions. After extended discussion, and using the estimated figures provided by Mr. Graham, the group agreed that the following figures represented a "snapshot" of the county finances as of June 11, 2007:

• •	Checking account	\$407,000	
• •	Investment account	\$25,000	(some figures are rounded off)
• •	Registry of Deeds account	<u>\$208,000</u>	
• •	Total cash on hand	\$640,000	
• •	Medicaid payment	\$440,000	will arrive June 15?
• •	Medicare payment	\$110,000	will arrive June 25?
• •	Pro-Share payment	<u>\$750,000</u>	will arrive June 29?
• •	Total expected revenues	\$1,300,000	
• •	Cash plus expected revenues	\$1,940,000	
• •	Accounts payable	\$80,000	
• •	Payment to State of NH	\$350,000	
• •	Payment to retirement system	\$105,000	
• •	Health insurance	\$200,000	

- • June 15 payroll \$370,000? (includes holiday pay)
- • June 29 payroll \$350,000
- • Total major obligations \$1,455,000

Mr. Graham cautioned the group that these figures are only estimates and do not include additional unexpected expenses or possible additional revenues such as payments from private pay residents of the nursing home. Using these figures, it appears that between \$400,000 and \$500,000 could be available at the end of the fiscal year.

Commissioner Barrette said that what this shows me is that if the Pro-Share money comes in before June 29, the county will not have to borrow the final \$338,000 left in the \$2,000,000 line of credit. Representative Franklin asked if Mr. Graham would be able to create a cash flow statement, using his handwritten notes, and email it to the county office, so that it would be available to the EFC before their next meeting at 6:00 pm on June 12. With this information, he said, they can vote more responsibly at that meeting. Rep. Gottling said she was sorry that Rep. Rodeschin had left, because no one had any intention of not paying salaries, and that we simply did not want to appropriate money that was not needed or overlap transactions into the next fiscal year. Rep Nielsen agreed that that was not the intent of her motion.

Mr. Graham said that although according to his figures, the county could end up with a \$500,000 "surplus" [of borrowed money] at the end of the fiscal year, we should remember that the nursing home is the wild card, and that the nursing home costs keep going up. He pointed out that the tax rate was decreased in 2005, which caused the county to lose its fund balance or cushion for the next fiscal year,

Rep. Gagnon said that the issue is transparency—we should not create budgets which project more revenues than actually come in. Mr. Graham responded that there has been no purposeful inflating of revenue or deflating of expenses. Rep. Gagnon said that what Mr. Graham has said reinforces the need for the commissioners to come up with a realistic and accurate financial management plan.

Rep. Franklin asked if the county would need to borrow additional money against the line of credit if the Pro-Share money does not come in on time. Mr. Graham said that if the Pro-Share payment were late, the county would have to borrow an additional \$255,000 against the \$338,000 left in the line of credit. Then Rep. Franklin asked if the \$2,000,000 line of credit would get the county through fiscal 2007. Mr. Graham said that, according to his "snapshot" the line of credit would be enough.

Rep. Gottling asked Dodi Violette how long it takes to process a loan against the line of credit. Ms. Violette answered that the County Treasurer handles this task and that it does not take long. Ms. Violette then returned to her office, after being thanked by the members of the delegation.

Rep. Franklin returned to the subject of the nursing home administrator's salary. Rep. Gottling asked why the county appears to have paid salary to two administrators during several months in the fall of 2006. Was there a severance payment to the former administrator? Rep. Gagnon suggested that this subject should be discussed by the commissioners at their meeting that afternoon.

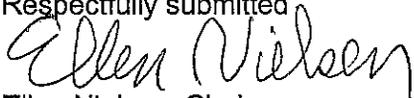
Rep. Franklin asked Mr. Graham several questions about Fund 30—he expressed concern that the revenues listed in Fund 30 might be counted twice, since the revenue in Fund 30 consists of transfers from other departments, not additional revenue coming into the county. Mr. Graham said that the expenses which appear to be paid out of Fund 30 are actually paid out by other funds and the transfers to and from Fund 30 are just paper transfers.

Mr. Graham explained that the monthly expense and revenue summaries are on an accrual basis, and don't reflect actual cash in and cash out. Rep. Nielsen asked Mr.

Graham to define the accounting term "accrual." Mr. Graham explained that in accrual accounting, revenues consist of money earned, but not necessarily received, and expenses consist of money obligated, but not necessarily paid out. This can create confusion when there appear to sufficient revenues on paper yet it is necessary to borrow money because the cash has not yet been received.

Representative Gagnon then said that we have received ample information and that perhaps it was time to end the meeting, especially since the representatives could not vote on the motion which was on the floor because of lack of a quorum. Rep. Franklin said that he was relieved to learn that the county probably would not need to borrow additional money before June 30. Mr. Graham was thanked by the commissioners and representatives, and the meeting was recessed shortly after noon to reconvene at the call of the chair.

Respectfully submitted



Ellen Nielsen, Clerk