

**Leelanau County Board of Commissioners**  
**Finance/Audit Committee – Monday, July 18, 2022**  
Approved 8/23/2022

*Proceedings of the meeting are being recorded (audio and video) and are not the official record of the meeting; the formally approved/accepted written copy of the minutes will be the official record of the meeting. The video of the meeting can be found at the following link: <https://www.leelanau.gov/meetingdetails.asp?MAId=2369>*

Meeting called to order at 1:02 p.m. by Committee Chairman Melinda Lautner.

<u>Roll Call:</u>	Commissioner Rick Robbins	PRESENT
	Commissioners Ty Wessell	PRESENT
	Commissioner Melinda C. Lautner	PRESENT

Committee Chairman Lautner led the Pledge of Allegiance to the United States of America, followed by a moment of silence.

Audience members present.

Approval of Agenda/Late Additions or Deletions:

Chairman Lautner requested adding financial discussion of the Drain Commission as Item #3.

**MOTION BY WESSELL TO APPROVE THE AGENDA AS AMENDED ADDING DRAIN COMMISSION FINANCIAL DISCUSSION AS ITEM #3. SECONDED BY ROBBINS.**

Discussion – none.

**AYES – 3 (Wessell, Lautner, Robbins)**

**NO – 0**

**MOTION CARRIED.**

Public Comment:

None.

Action Items:

Approval of Minutes – Finance/Audit Committee, Wednesday, April 20, 2022:

**MOTION BY ROBBINS TO ACCEPT THE MEETING MINUTES OF WEDNESDAY, APRIL 20, 2022, AS WRITTEN. SECONDED BY WESSELL.**

Discussion – none.

**AYES – 3 (Robbins, Wessell, Lautner)**

**NO – 0**

**MOTION CARRIED.**

Review of FY 2021 Audit:

County Treasurer John A. Gallagher III was present before Commissioners as well as Rehmann Robson Principal Steve Peacock who was present via Zoom (audio).

Chairman Lautner questioned Peacock if the audit process at the County was started in February? Peacock responded the audit starts in November/December with field work February/March and wrap-up in April/May.

Gallagher provided a letter and handout to Commissioners that can be seen at the following link: [https://www.leelanau.gov/downloads/j\\_gallagher\\_07182022.pdf](https://www.leelanau.gov/downloads/j_gallagher_07182022.pdf).

Gallagher read from the letter addressing concerns regarding the District Court bond account in question which was opened in 1975, with the following bullet points from the letter:

- Evidence that the account was opened May 1, 1975, with Empire National Bank, the account was modified with Huntington Bank in 2011 with signatures from Norene Kastys and Cindy Schaub; the account was changed by Michelle Crocker and Tom VanPelt.
- Bank Statement reconciliations done by the District Court verified by the Treasurer's Office per council of the DC auditors.
- Multiple year audits showing the District Court Bond account in the books.
- March 17, 2022 email from and by Jennifer L. Zywicki explaining how Fund 799 was being administered which included a Transaction History Report showing auditor adjustments. Evidence that the fund was adjusted annually by auditors through 2012, and again in 2019-2020.
- Bank Confirmations demonstrating the account as being listed.

Gallagher gave an explanation from the first page of the backup stating it is a brief history from District Court Magistrate Norene Kastys as she knows it. She lists the account ending in 2076 that was opened on March 17, 2011, and the old checking account ending in 6650 that was closed on January 31, 2012 as bank began using a different sequencing for bank accounts. The original account was opened on 5/1/1975 with Empire National Bank and in 2021 Gallagher was added as a signatory if Kastys or Schaub were not available.

Gallagher explained the next page, which is a copy of the Resolution to Open and Maintain a Bank Account that occurred in 2011. Huntington Bank has on file the list of authorized signatories and note where the authority came from. In this case it was dated February 15, 2011, signed by Tom Van Pelt, County Board Chairman and Michelle L. Crocker, County Clerk. Gallagher said this is showing the account has been here and has been being used for some time. Gallagher stated he did draw a question from the signature card from 2011 as it has a Federal Tax Id number of Grand Traverse County. This was his first time reviewing it and he has not had a chance to talk with the auditors to see if the account needs to be listed on the financial statements as he sees it as a Grand Traverse bank account, but he will find out more.

Gallagher continued with the next page being a Bank Reconciliation similar to what was supplied by Peacock. These are statements that District Court brings to the Treasurer's Office to verify the balance, and he said he believes it was asked of him in 2016 by District Court Auditors for a third set of eyes to reconcile on a timely basis. He continued that the next couple of pages are out of the audit showing District Court has been listed as a fund and had a cash balance in the 2015 and 2016 audits.

Gallagher stated the next is an email, (From Human Resources Director/Interim Finance Director Darcy Weaver forwarded on July 13, 2022, to Treasurer John Gallagher III showing the original email dated March 17, 2022, at 1:08 p.m. addressed to County Treasurer John Gallagher and Chief Deputy Treasurer Darcy Weaver, also copied is the Rehmann audit team) from Finance Director Jennifer L. Zywicki. Gallagher continued that he believes the email explains how the account had been manually adjusted and approved throughout the year as well as being adjusted on an annual basis. Attached within the email from Zywicki was a transaction history report showing adjustments made through 2012. (GASB 84 adjustments from 2019 through 2021).

Gallagher said that the last document in the packet is the standard bank confirmation used for the audit for Huntington National Bank with the District Court bank highlighted and he stated the account has been listed for audit since he has been here.

Gallagher stated that he has read Rehmann Principal Steve Peacock's email and he is not disputing the fact that there was material change to the fund account. He said that he was unaware that it would be a finding but none the less he has taken the proper course to ensure that next year this is handled similarly to that of the Leelanau County Road Commission. He confirmed for the committee that he will start balancing it on a monthly basis. Gallagher informed the committee members that he was absent at the Executive Session on Tuesday, July 12, 2022, to respond to questions the day of the audit presentation because he was out shaking (trees) and he was unaware of any material finding that would be a cause for concern.

Commissioner Lautner asked Gallagher if he was not told there had been a finding?

Gallagher replied that he was told this would be an adjustment because of the scope of it had changed from a small nominal amount to a significant amount where we have one bond that is worth \$150,000.00 for one individual. He said that created the materiality of the issue because it jumped significantly overnight with the size of the account.

Commissioner Wessell stated that he and Gallagher had talked and addressed some questions and he restated those today, so he said that he is all set.

Commissioner Lautner asked Gallagher what this account with District Court is used for generally?

Gallagher answered that this account is the bond account for Magistrate Court.

Commissioner Lautner asked Gallagher who makes the transactions and is it all done through court?

Gallagher answered that it is all done through court and that it is processed with District Court Clerk Cindy Schaub or District Court Magistrate Norene Kastys in the AS400 software system for tracking and reporting.

Commissioner Lautner stated that this bond is \$150,000.00, which seems larger than usual, and can you tell us anything about it?

Gallagher replied that he could not.

Commissioner Lautner said that District Court had a \$150,000.00 bond that dropped in?

Gallagher replied that is correct.

Commissioner Lautner said that this account is under Grand Traverse County's Tax ID number?

Gallagher said that is what he has gathered from digging into the history as the renewal or change of account that occurred in 2011 references Grand Traverse County's EIN. Gallagher stated that he does not know if it makes a difference or not.

Commissioner Wessell said that he raised the question last week where is John (Gallagher)? He continued that the County received the audit in May and asked Gallagher if he had access to it?

Gallagher stated that yes, he did have access to it.

Commissioner Wessell asked Gallagher but even reading the audit you were not aware there was a material finding?

Gallagher said that he knew of the one material finding that the County always has, which is the one numbered 1-001, and there are some notations in it but because it was aggregated, he didn't think it was significant.

Commissioner Wessell asked, "Is this why you are suggesting two separate entries?"

Gallagher stated yes.

Commissioner Lautner acknowledged Rehmann Principal Steve Peacock via zoom.

Peacock said that he editorialized what he wanted to say in the email he sent to Chet Janik this morning. He stated that he believes that the commentary that he may have offered to the Board on July 12, 2022, about the account not being on GL (general ledger) was not the case. When he read the entry from the audit team, the entry states to report cash not reported on the books, and after talking with the team that what actually transpired is that the account that as Gallagher has mentioned has been around for a long period of time and has always been under what the auditors call a trivial number for materiality. He stated to keep in mind that auditor's levels of materiality are very different then internal accounting materiality. He continued that this account never really had any meaningful activity and never passed over a threshold to be of concern. The audit team would take the bank reconciliation and they would pass on it if it was off \$400 or \$600 because it doesn't fall into the threshold.

Peacock continued that it is not the auditor's responsibility to reconcile a bank statement and in fact that is not part of the audit engagement. He said that the way Rehmann reported the combined findings he stated that he could entertain the option if this happens in future to segregate them out into two separate findings. Peacock stated that a material weakness is exactly what it says that it is material in nature, so this is \$155,000.00 and it's a weakness over the internal control systems. He said that he believes he sent the committee the bank reconciliation that was prepared and signed off on January 4, 2022, and looking at the cash flow papers that the team used are from the beginning of March 2022, and signed off by the audit team. The bank reconciliation was clearly performed long before the auditors showed up and before the testing of the accounts. He said that when the auditor shows up and finds a balance off by \$155,000.00 and began the process of finding out what is going on that the audit team first went to the Treasurer's Office and they were not able to ascertain enough information about that account. Paul Matz, fellow partner of Peacock, brought in Jen Zywicki for discussion about this account. Jen then went to the District Court office as you can see in the letter/email that he sent out today that there are also some internal controls about deposits that were done in the Treasurer's Office regarding a locked bag. The Treasurer's Office takes the locked bag to the bank routinely just like they do for other deposits and so forth and it shows that they reconcile the account. He said that's where this develops into a material weakness is because you have a document that has been signed that shows that it is reconciled and it is not

reconciled to the general ledger. A bank reconciliation by definition states the bank statement to the general ledger balance, and is signed off indicating that it does balance. When the audit team rolls into town and the team finds out it's off by \$155,000.00 and change, intuitively auditors begin to become skeptical. He said that is an audit standard, which is following appropriate audit skepticism. If he is getting information from John or Chet or Michelle or Trudy or anybody and it is not accurate the skepticism level goes higher in the auditor's mind, and that is all part of the training to be an auditor. This particular item raised the level of skepticism they performed over procedures and over some other elements that came from the Treasurer's Department.

Peacock said that Rehmann corrected a payment to the Leelanau County Road Commission that was paid twice, and the account that doesn't balance to the bank statement, so if the auditors are a little nervous about that, that is the auditor's responsibility to have an elevated level of skepticism. He stated that the team has to perform additional procedures to make sure they are comfortable that the ending result balances whether it is cash, accounts receivable, revenues, expenses, liabilities and so forth. He said that is what happened here and as a result the finding yielded the \$155,000.00 for cash and the 2.6 million dollars with the bond refunding. As he mentioned in his email, the bond refunding is not something that is abnormal, it is material yes, and neither one of these findings are material to the County's fund balances, so that is a good sign that it is not a contributing factor to fund balance. But, when a company or client goes through bond refunding out of 100 clients that do that, 99 of those clients call them and ask for assistance. Rehmann will walk any client through the entries for refunding, and they just have to call. The cash finding is an issue, and if there was nothing out there with this account, but we have a bank statement that is signed off and the balances must be on the ledger.

Commissioner Lautner asked Peacock if he knew if this was an ancient account Tuesday when he presented?

Peacock replied that on Tuesday he reported to the Board that the account was not on the general ledger, which was inaccurate. This account has been on the general ledger for the County since 1972, and he did see it in the work papers audit for 2018 and it has been there with a balance of four to five thousand dollars, which does not qualify for an amount over the materiality threshold, so the audit team does not spend time looking at it.

Commissioner Lautner said since it was just a small number that is why it didn't show up in previous audits? Peacock said correct. Lautner stated that it would appear that this account slipped under the wire, basically until it became material. Peacock said that the Board wouldn't want him to search for every penny and Commissioner Lautner said she would want to know.

Commissioner Wessell said that he was told after the board meeting by one person that Mr. Peacock was encouraged to find this material weakness by County staff and is there any truth to that?

Peacock responded and said that he cannot be swayed by anybody in the room that you are sitting in right now or any staff member of the County to do something that he does not believe is professional or appropriate.

Commissioner Wessell thanked Peacock for his answer.

Peacock said that he was not approached by anybody and explained to Commissioner Wessell that as he is looking at the documents now that they are signed off on March 16, 2022. He stated that he did not sign off on this or even look at the work papers until after Paul Matz looked at them, which would have been sometime in April. The inclusion to record this as a material weakness was made by the audit staff and Paul on scene and he concurred with the treatment when he evaluated the work paper files.

Commissioner Lautner said that as far as this is a tax ID number for Grand Traverse County, what about that?

Peacock said that is a wild one and that he didn't know about that. If you look at the bank statements, the account is addressed to Leelanau County and it comes up when the team requests bank confirmations, because we use both the name and Fed ID number, and if this has a Grand Traverse County Federal Id number then that's a problem. He stated that he still thinks you have the responsibility to report it on your financial statements because it's a Leelanau County District Court account. He said he knows that it is a combined District, but it is in the name of Leelanau County and that the federal id number should be changed to reflect Leelanau County's. He said that he is stunned to hear that it currently has Grand Traverse County's ID number and he doubts Grand Traverse County gets a copy of it since it is addressed to Leelanau County.

Gallagher asked Peacock if the management response to the finding meets the expectations of Rehmann and Peacock responded that it does.

Commissioner Lautner said that while it was a trivial the number in the past, now it has risen to a level of being alerted to auditors, and all along it has been not noted in audits all those other years?

Peacock said correct, and an example he stated would be like in a case like this that Rehmann would take a December 31, 2018, bank statement that shows \$4,600.00 and the general ledger shows \$4,200.00 and that difference of \$400.00 they as an audit firm will pass on adjusting and pass on investigation because it would not meet the materiality threshold. He continued and stated that he would expect that the reconciler of the bank statement would put forth their due diligence to make sure that with every month that passes these reconciling items are eventually to the general ledger to keep this current with the bank account or reconciled based on outstanding checks and outstanding deposits.

Commissioner Lautner stated that she appreciates Peacock's comments and that there is no great fault with the County on this and she said the statement could be made that now she can say now we know.

Gallagher said that when he took office in 2013 and this was actively being monitored since 2012 and he isn't shirking responsibility for it but there was some confusion when he took over and he assumed it was a Grand Traverse County account, and it was handled by their own auditors as they have told him many times and he has had to assist them with their own audits. He stated that this is partly to his ignorance to how this account came to be but now knowing that it should be on the general ledger that this is an easy issue to resolve.

Commissioner Wessell stated that since Chief Deputy Clerk Jen Zywicki is here and she had a big part in this audit, Commissioner Wessell asked if there is anything that Zywicki would like to add?

Gallagher said, "Throw some stones?"

Zywicki said that she was not there to "throw some stones". She stated that she was very surprised when the auditors asked her why the cash was off \$150,000.00? She continued that as Peacock has stated that she did talk with the auditors and that she did question why she was being asked to ask District Court? The auditors mentioned that neither Weaver nor Gallagher knew the fund or what it was in its entirety, and so she did go and ask District Court Clerk Cindy Schaub, as the email from Peacock states.

Zywicki restated she is not going to throw stones and said that she does have a different banking background and if this had been within the Clerk's Office, like with Circuit Court, it is reconciled monthly. She stated that she is hoping that with John saying this is done annually that she recommends that it is looked at monthly and see what that ledger balance is so that when this gentleman is arraigned or the bond goes away that you can take that \$150,000.00 of the ledger as soon as that happens, because that is what you would do and have done within Circuit Court.

Zywicki said that she did mention to Gallagher and Weaver, and that it was a particular day when you are in audit and your frustration is high and so forth that she did mention that this was material. She continued that she let them know that it was a material finding as it was \$150,000.00 off in cash and she did let them know about the bonds, and that it was going to be material with the Road Commission payment. She said that she understands there might be some confusion on what is in that finding, but for the last couple years it is more work for the auditors to separate those then it is for them to lump them in. It was found that in previous years between the Clerk's Office and the Treasurer's Office, since it was a combination of those elected officials performing those duties, that it worked well being just one finding and that it was discussed on how to move forward and correct those findings for 2021.

Zywicki stated that she is disappointed and it happens and she said that she talked to Weaver about the Road Commissions payment and accidents happen in bookkeeping. She stated that she has done this for 20 years and you never want to be sitting where Gallagher is sitting, ever. She continued that is one thing that she would tell you she would never want to be in that seat and she does her due diligence to ensure that she is not there. She said that she is saddened that this happened and she was very confused the first time that the audit team told her the County was off \$150,000.00 because the relationship between the Clerk's Office and the Treasurer's Office is that bank statements have been done together. Also, the Administrator signs off those bank reconciliations and she said she doesn't know if the new Finance Director will continue that, and she would suggest that you do. She hopes that Gallagher would give the bank reconciliation to the new Finance Director and work together to adjust the general ledger when necessary. Zywicki stated that it is different with the Road Commission because it is a component unit just like Brownfield and just like Land Bank and the ledger for the District Court.

Gallagher interrupts Zywicki and states that before we get down to procedure, he clarified that it will be handled monthly.

Zywicki said she thought she heard annually and confirmed for the committee that if it is reconciled monthly with the other bank statements then the ledger will be kept up to date.

Commissioner Lautner said that this account was opened before you were born, and asked Zywicki if she had any idea why or if the Grand Traverse ID number was used?

Zywicki replied her guess would be that it was opened that way back in 1972, but it is Leelanau County's money and it should be Leelanau County. If that checking account was opened in 1972, and she isn't sure if Vicki Kilway was Treasurer in '72, but that account would have needed a signature card.

Commissioner Lautner asked Zywicki, so we have just never caught it all these years?

Zywicki responded that most likely it was on the books though, because it has shown up each year. She continued that if there was \$4,600.00 or \$4,800.00, and like Peacock has indicted that the audit firm is not going to worry about \$1,000.00 here or there. The due diligence is that we worry about the \$1,000.00 here or there and that we make sure that the bank statement and ledger entries are made to reflect the balance.

Commissioner Lautner asked if it was easier to track that way?

Zywicki responded that is correct.

Commissioner Robbins asked Zywicki if she was Finance Director when this all went down?

Zywicki replied that she was.

Commissioner Robbins asked Zywicki when Zywicki contacted these two (pointing at John Gallagher and Darcy Weaver in the audience) did you document that or was it verbal?

Zywicki replied that she did not write down the meeting and that she wouldn't normally write that down. Zywicki said that she was instructed by the auditors to find out what the account was and typically that would have all been handled by the Treasurer's Office, so when Zywicki found out what the account was she did go to John (Gallagher) and to Darcy (Weaver) and they met in Gallagher's office.

Zywicki asked Gallagher and Weaver if they recall her coming down and talking to them?

Weaver, sitting in the audience did not respond to Zywicki and Gallagher shakes his head no and says no.

Commissioner Robbins said that this is why Zywicki needs to document stuff because he is hoping in the future between the new Finance Director and the Treasurer's Office we have a better working relationship and we won't be in this boat again.

Commissioner Wessell stated that he shares Mr. Peacock's view that this will be corrected for next year.

Commissioner Lautner agrees and asks if there is anything else on this topic.

Zywicki asks if she can interrupt for a moment for a quick question?



Commissioner Lautner replies yes.

Zywicki asked Commissioner Robbins if he would like Zywicki to get Account Clerk Johanna Novak to make a statement and get former Account Clerk Cathy Hartesvelt to make a statement of when Zywicki met with Gallagher and Weaver and what was said? Zywicki asked if Commissioner Robbins would like that in writing?

Commissioner Robbins said no, that it is water over the bridge.

Zywicki said that it doesn't sound like it is water over the bridge and Zywicki stated that she is a little bit confused?

Commissioner Robbins replied that he comes from a world with his previous employer (law enforcement) that you document everything and it's called C.Y.A. and we wouldn't be in this position. He said that he's not saying that Zywicki did or didn't but that it looks bad and you have to document stuff.

Administrator Janik said that he is looking for clarification for tomorrow evening since this is on the agenda that Mr. Peacock is not available tomorrow evening, nor is Mr. Matz. Janik stated that the topic has been covered and there are no issues so they won't need to attend.

Commissioner Lautner stated that she can cover what needs to be addressed.

Janik asked if the committee would like Gallagher at the meeting tomorrow night since the other four commissioners were not in attendance today?

Both Commissioner Lautner and Commissioner Wessell stated that is up to the Treasurer, and Janik stated that it might be helpful for the Treasurer to attend.

Zywicki asked if she could ask a quick question if Peacock was still on the line? No one objected.

Zywicki asked Peacock if he had anything written in Paul's notes that Zywicki reported to the Treasurer and the Chief Deputy Treasurer and then reported back to him with what was going to happen?

Commissioner Lautner says, probably.

Peacock said that he can check.

Zywicki said that she would have gone to the District Court Office to investigate, then would have met with the Treasurer, and then told the audit team how the finding was going to be fixed and to reconcile it going forward.

Gallagher asked Peacock that wouldn't normal protocol be that either Evan Rummel or Paul Matz of the audit team contact the Treasurer directly, Peacock, as in past audits?

Peacock answered saying that he believes from his correspondence was that "our" Rehmann team did reach out to the Treasurer's Office and they were not given satisfactory answers as to what the

account was or why it was off and that is why CPA Matz of Rehmann made the executive decision to confirm with Zywicki on this.

Zywicki thanked Peacock for the information.

Peacock continued and said that he was looking at the cash work papers and there is no notation on here and on accounting work papers they aren't like law enforcement documents, as they are very black and white and factual and there really are no subjective comments written next to this account. He stated that what was written was that the bank reconciliation was off by \$156,000.00, and there was a journal entry proposed for it to be corrected.

Zywicki thanked Peacock for looking for her.

The Committee members thanked Zywicki for attending.

Commissioner Lautner requested that Gallagher and Weaver stay because the third issue on the agenda is the fact that now we have just found out the County is going to be partially responsible for the Drain Districts that the Drain Commissioner is putting in all over the County.

Administrator Janik stated that he can give an overview on this agenda topic and that Gallagher should stay because he and Gallagher have some questions that they discussed on Friday, July 15, 2022, that need to be addressed with Mr. Christensen. Janik said that he is no expert on drain fields nor assessment districts, nor does he want to speak on Drain Commissioner Steve Christensen's behalf. Janik continued that he can give an overview as all three (3) committee members know that Christensen has come to the Board on a pretty regular basis to give updates on Drain Districts. He stated that they are very rare and that he is not sure Christensen has been through this process before, maybe once in all the time he's been the Drain Commissioner so he's been coming here for the last two to three years probably. He continued that Commissioner Lautner always asks the questions if there is going to be a financial impact to the County? Janik stated that he believes that Christensen's answer has always been no and that the cost will be covered by people in the district.

Janik continued that on Wednesday morning he received a phone call from Commissioner Lautner. Janik said that Mr. Christensen and Brian Cenci, GEI consultant, met with Solon Township Supervisor James Lautner Tuesday night at their request and Supervisor Lautner was informed that Solon Township would be responsible for about \$100,000.00 to \$150,000.00 for the Township's portion of the district and there is not an option to opt out of paying it. He stated that it could be spread out over 20 years, and obviously Commissioner Lautner was concerned about that. Janik said that he called Cohl, Stoker & Toskey, P.C. and spoke with Attorney Timothy Perrone regarding the legal process because the County's counsel is not handling the legal part of the Drainage Districts and he said that believes the law firm of Clark Hill handles that part. But they just reviewed the law in terms of what authority the Drain Commissioner has and it really is up to the Drain Commissioner and the township board nor does the county board have a vote. He continued that other than that it's only if you want to put the County's full credit behind the bond. The question that was raised was whether the legal process was followed because there has to be a hearing of notice and that once the assessments are noticed and the people within the district are informed of an assessment there is a ten (10) day appeal process. The notice of the assessment was processed Friday, July 15, 2022, and they are being mailed out and so as of today, we as the County has not received the notice yet and neither has the township. But he did ask Christensen does this mean

that the County will also get an assessment and that was the question that Commissioner Lautner has asked from the very beginning. Janik said that Christensen did respond that yes, the county will be receiving an assessment. Janik asked Christensen how much and Christensen responded that it will be approximately \$50,000.00 to \$60,000.00, which the County has the authority if they wish to pass on a part/portion to the Leelanau County Road Commission. Janik doubled checked with Christensen today to see if he had the exact amount and Christensen does not yet, but that actually for the County it will be twice that amount. He said that the amount the County will be assessed and the township assessment will be about the same, which is approximately \$100,000.00 to \$120,000.00. Janik asked Christensen if he could confirm the figures tomorrow evening and Mr. Christensen, Mr. Cenci and legal counsel from Clark Hill will be attending the Regular Session meeting. There has been a late agenda request for the Regular Session meeting and Janik requested their attendance and asked to receive and confirm what the County's assessment will be. The ten (10) day period starts when the individual or unit of government receives their assessment notice and it can be appealed within the ten (10) days and it is not whether they will be assessed or not and the appeal is on the amount. By law, the Drain Commissioner has the sole authority to set the percentage that each unit of government and each property owner will be charged for the assessment. And each property owner and each unit of government can make that payment one time or over a period of time for up to 20 years. He will have more clarification and they will all be in attendance for the meeting tomorrow night to answer any questions. It has been confirmed that there will be an assessment and as of this morning Mr. Christensen said it will be between \$100,000.00 and \$120,000.00 for the County with the option of all or part of that being assessed to the Road Commission.

Commissioner Lautner said that she understands this was a surprise for Leland Township, certainly a surprise for Solon Township and is certainly a surprise here at the County. She stated that she has asked that question repeatedly about the cost and was told repeatedly the homeowners in that district. When is this even begin to be due? Does it start January 1?

Janik said that is a good question for the Treasurer.

Commissioner Lautner continued and said that the bills are being racked up monthly.

Janik stated that when he and Gallagher were talking about this topic last Thursday that Gallagher told him as the County Treasurer that neither Christensen or Cenci have ever approached him about the collection of the assessment. Janik deferred to Gallagher.

Gallagher stated that he has never gone through a drain district and the initial setup. Gallagher continued that his concern is who is going to administer the actual collection set up, paying the bonds, how is it going to be accounted for, is it subject to an audit, and he believes that Christensen does not have the resources internally to do it, so is he having counsel do it for him or is it going to fall back on the County? Gallagher said that he has not been apprised to what Christensen's intentions are but those are some issues that he foresees.

Janik said that it is his understanding that this will be on the winter tax bill?

Gallagher responded that either that or it could be a special assessment bill.

Janik said that he can talk about that because he isn't part of a drain district but he does have a road district where he resides and he receives a separate bill for that in September and he has the option to pay it then or if he waits it does get added to his winter tax bill.

Commissioner Wessell asked if the County has any option of creating another assessment district and just assess the homeowners in the district for the County's portion?

Janik replied that is a good question for Christensen tomorrow night.

Commissioner Lautner said that the township has that very same question and thanked Commissioner Wessell for asking.

Janik stated that whether the district is setup with an assessment amount that there is no legal authority or legal action by the County or the Township and they have no say how it gets done. It is strictly up to the Drain Commissioner and an appeal would have to go through the Leelanau County Probate Court.

Janik stated that Christensen, Brian Cenci, and the legal counsel will be in attendance at the meeting tomorrow night. He said another concern is that this is not just one and there is a possibility of more districts over the next couple years.

Discussion Items:

None.

Board Member Comment:

- Chairman Lautner thanked everyone for being present.

Public Comment:

None.

Motion to Adjourn:

Committee Chairman Lautner adjourned the meeting at 1:52 p.m.

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Melinda C. Lautner, Chairman  
Leelanau County Finance/Audit Committee

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Alison C. Middleton, Administrative Deputy Clerk  
for Michelle L. Crocker, Leelanau County Clerk  
Clerk, Leelanau County Board of Commissioners