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**February 18, 2015**

**Mill Creek Special Service Area Audit**  
**520.690**

**Background**

The Mill Creek Special Service Area (Mill Creek SSA) is responsible for providing special services to the Mill Creek Planned Unit Development (Mill Creek PUD). The Mill Creek PUD consists of approximately 1,600 acres and 2,200 dwelling units between Keslinger Road to the north and Main Street to the south, in both Blackberry and Geneva Townships. The services include, but are not limited to, the following: landscape maintenance, streetlight repair and maintenance, sidewalk and trail repair and maintenance, Village Center snow removal, pond maintenance, street furniture and street sweeping. The services are funded through a tax levy paid by the residents of Mill Creek for the sole use within the boundaries of the Mill Creek PUD.

The special service area is established under the following:

Pursuant to the provisions of the 1970 Constitution of the State of Illinois (the Constitution), Kane County, Illinois (the County), is authorized to create special service areas in and for the County. Special service areas are established by non-home rule units pursuant to Section 7(6) of Article VII of the Constitution which provides that:

Counties... which are not home rule units shall have...powers...to levy or impose additional taxes upon areas within their boundaries in the manner provided by law for the provision of special services to those areas and for the payment of debt incurred in order to provide those special services; and

Special service areas are established as required “in the manner provided by law” pursuant to the provisions of the Special Service Area Tax Law, 35 ILCS 200/27-5 et seq., and pursuant to the Property Tax Code of the State of Illinois, as amended, 35 ILCS 200/1-1 et seq.

The Mill Creek PUD Zoning Petition #3393 was approved by the Kane County Board on June 14, 1994 and said zoning approval was subject to a number of stipulations, one which required the creation of a special service area for the provision of special services within the Mill Creek PUD. The Mill Creek SSA was created by ordinance 94-356 and the area covered has been enlarged over the years with ordinances 97-271, 05-235, 08-344 and 12-301.

The ordinances authorized the levy of a direct annual ad valorem tax upon all taxable property within the area for an indefinite period of time beginning for the year 1994 at an annual rate not to exceed fifty cents per one hundred dollars of the assessed valuation of each tax parcel within the area and further provided that such tax was to be in addition to all other taxes permitted by law.

The tax rate has decreased from .5% in 1994 to .28% in 2012. Tax revenue to the SSA was \$3,000 in 1994 and has leveled out at approximately \$675k.

Financial data:

	as of 12/2/14			
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<b>Revenue</b>	\$ 689,343	\$ 688,679	\$ 680,096	\$ 706,474
<b>Expenses:</b>				
<b>S&amp;B</b>	49,292	88,209	89,100	65,824
<b>Services</b>	404,003	570,409	517,063	315,588
<b>Other</b>	64,193	66,557	78,424	60,417
<b>Total</b>	<u>517,488</u>	<u>725,175</u>	<u>684,587</u>	<u>441,829</u>
<b>Net</b>	\$ 171,855	\$ (36,496)	\$ (4,491)	\$ 264,645

The Mill Creek SSA special revenue fund has approximately \$1M in fund balance. The variances in services spend are dependent upon projects performed in any given year. For example, expenses were higher in 2013 due to alley resurfacing \$78k, bike path resurfacing \$67k, purchase of trash receptacles \$9k, sidewalk repair \$8k, road patching \$7k, and vehicle purchase \$25k.

### Scope and Testing

- Performed fluctuation analysis of revenue and expenses for annualized 2014 vs 2013 vs amended budget.
- For all vendor spend greater than \$5k, reviewed invoices for proper bidding/contracts, approval, g/l coding and supporting documentation.

## Findings/Recommendations

Management provided responses as included below. In the case that no management response is included, no response was provided at this time.

**Finding 1:** Annual service spend by Mill Creek SSA has drastically fluctuated between years due to lack of a long range maintenance plan and implementation thereof. Without a maintenance plan, there is no way to predict whether the current funding levels will sustain future maintenance. **Recommend development of a long-range maintenance plan.**

**Management Response:** The maintenance plan is being developed over fiscal year 2015.

**Finding 2:** Financial best practice is to code an expense to the best descriptive line item, not where budget dollars are available. Budgets are largely developed based on prior year actuals. If invoices aren't coded correctly, then budgets will not be developed correctly. Management is held responsible for a total budget – not budget by individual line item.

Mill Creek SSA purchased a vehicle in 2013. The vehicle was expensed to general ledger account 52020, Repairs and Maintenance – Roads. Mill Creek SSA balances are presented in the “Other Supplementary Information” section under “Nonmajor Governmental Funds” in the CAFR. The vehicle purchase would have been better presented as “capital outlay” vs repairs and maintenance. **Recommend expensing items to the proper expense code.**

**Finding 3:** For the services (e.g., landscape maintenance, snow removal, etc.) the Mill Creek SSA provides to the Mill Creek PUD, the Mill Creek SSA utilizes the County's Financial Policies and Purchasing Ordinance. In accordance with the purchasing ordinance, the County department head can obtain quotes and sign an agreement for spend between \$5k and \$30k. Spend \$30k or greater should be bid by the Purchasing Department and requires Kane County Board (Board) approval.

In review of the bidding and contracts for Mill Creek SSA, the following was noted: (1) some contracts could not be located, (2) spend with an existing vendor was expanded and not always bid or approved at the appropriate level, and (3) Board approval was not obtained in all cases.

(1) Rehm Electric performed \$8k of services for Mill Creek SSA in 2014 (as of 12/2/14). The County has a contract with Rehm Electric, but Mill Creek SSA is not included in the contract. **Recommend that Mill Creek SSA pursue quotes and a separate contract for the electrical work or roll into the existing County contract.**

Mill Creek SSA has spent \$228k with Sheaffer & Roland (also dba Triplepoint Water Technologies LLC) since 2009 (beginning of NWS data). 2014 spend (as of 12/2/14) is \$28k; an additional \$21k was approved by the Board in November since the total spend would exceed \$30k. Sheaffer & Roland provides the pond aeration system maintenance. It is believed that Sheaffer & Roland owns the patent for the aerators and that the aerators can't be serviced by another vendor. At this time, no contract has been located. As of January 1, 2015, the Mill Creek Water Reclamation District will assume responsibility for maintaining the Mill Creek ponds and the County will no longer utilize Sheaffer & Roland.

(2) The contract with Cornerstone Partners covers maintenance of perennial beds, trees, shrubs; maintenance of bike path areas; and mowing at an annual fee of \$63k, assuming 36 weeks of service. The contract was bid in 2013 and continued for 2014. The 2014 spend (as of 12/2/14) is \$72k. The spend overage is due to using Cornerstone for other services, not covered by the contract and not bid independently, such as watering and planting/maintenance of annual plants. **These additional services for Cornerstone Partners should be bid separately or rolled into the overall bid request for 2015.**

(3) The contract with Kramer Tree Specialist is at a daily rate of \$2k and signed by the department head; however, the total spend with the vendor for 2014 (as of 12/2/14) is \$44k. **Given the level of spend with the vendor, Kramer Tree Specialist, the contract should have been bid by the Purchasing Department and approved by the Board.**

**In general, recommendation is for tighter controls over documenting quotes, maintaining contracts, tracking contract expiration dates to be proactive on renewal or bidding, and ensuring proper approvals. Additionally, purchase orders could be set up for approved vendor spend, and spend against the PO can be tracked using the Open Purchase Order Report.** For example, if the 2015 budget calls for \$10k in general electrical work, Mill Creek SSA would receive quotes and set up a PO for \$10k for the selected vendor.

The Auditor's Office would like to sincerely thank the County employees involved in Mill Creek SSA for their support of the audit.



Terry Hunt – Kane County Auditor



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