

**ESS Finance Subcommittee
Teleconference Meeting
August 3, 2023**

Members Present: Sheri Jones, Amy Assink, Lisa Kent, Kelly Spees, GERALYN Greer and Stacie Herridge

Other Participants: Nancy Booten, Phil Dunshee, Census Lo-Liyong, Kay Kelleher, Corrie Strasser, Lisa Long, Kristen Delany Cole, and Robert Endriss (Denman)

The meeting was called to order at 8:30am.

Meeting Summary

The Finance Subcommittee reviewed the July 11, 2023, meeting summary. A motion was made by GERALYN Greer and seconded by Sheri Jones to approve the summary. The motion was adopted unanimously.

Accounts Receivable Update

The Account Manager updated the Subcommittee on the outstanding accounts receivable. Outstanding accounts identified include 5 counties with pending maintenance invoices. There are also outstanding receivables from several counties for the Deputy's Conference registrations.

There are five organizations with outstanding payments for E-submissions. Efforts are underway to resolve four of those payments, and action has been taken to deactivate the account of one organization for failure to remit payment.

Summary of ESS Payments

The Project Manager presented the Subcommittee with the payment reports for the month of July. The report highlighted transactions related to the local maintenance services provided by Cott, DEVNET, Fidlar and Tyler Technologies. However, payment to Solutions (acquired by Harris Recordings) is pending due to changes in their corporate billing process.

Payroll, and mileage expense reimbursements for ESS meetings were noted. An invoice for office technology services by All Covered was review, as the billing was adjusted by a credit issue by the company. A \$9,750 expense was reported in relation to the renewal of support agreements for the firewall at the data center.

The credit card statement included a payment to WinCommunications for their assistance in updating the website landing pages (WordPress). Application forms were adjusted and are now integrated with the ESS applications. Other payments encompassed monthly expenses to various online software subscriptions used for ongoing operations including Mailchimp, Zoom, Adobe, Microsoft 365, Intuit, JIRA, and AWS. An expense related to a sympathy and condolence message was noted.

August Fund 255 Reimbursement Invoice

The Subcommittee reviewed the Fund 255 reimbursement invoice for August 2023, which included bills totaling \$32,049.61 for payroll expenses. The reimbursement amount was adjusted to ensure a minimum balance of \$100,000 in Fund 255. The minimum balance is not an official policy but rather a practice to manage the fund. Stacie Herridge made a motion to approve the June reimbursement invoice. The motion was seconded by Lisa Kent and approved.

2nd Quarter and YTD 2023 Financial Reports

The Subcommittee conducted a review of the financial reports for the month of June, the second quarter and year-to-date transactions. The Bankers Trust account showed a starting balance of \$1,443,057.59 and an ending balance of \$1,294,209.19. The accounts were successfully reconciled. ESS received income from invoices sent to counties for maintenance agreements, resulting in a net income of \$133,378.70 after accounting for cost-sharing credits.

The June balance sheet reported total assets and liabilities of \$2,754,871.08. For the second quarter, gross income was \$9,405,592.48 with expenses of \$9,304,242.09. Net income for the period was \$101,350.39. For the period of January through June, gross income was \$16,553,170.93 with expenses of \$16,542,960.99. Net income for the period was \$10,209.39.

Budget income for the period of January through June was \$975,006.43 with expenses of \$616,526.13. Net income for the period was \$358,480.30. It was noted that the net income was somewhat skewed by the receipt of payments for maintenance expenses. Payments to vendors will be reflected in the third quarter which will bring the net income back down to budgeted levels. It was also noted that \$278,213.31 had been expended during the first half of the calendar year for planned software development and back file redaction activities.

Financial reports for the credit card account were reviewed. The beginning balance stood at \$3,077.99 on June 1, and the ending balance was \$15,554.99. The largest expenses during this period included the renewal of a software license from IBM and the annual renewal of the Maytech FTP service. The financial reports were successfully reconciled with the credit card statement. The full balance of the credit card account is paid monthly.

The Fund 255 account managed through the State Treasurer's office was reviewed. The reconciled balance on June 30, 2023 was \$114,806.70. Net income for June was \$5,226.35.

Stacie Herridge made a motion to approve the June, second quarter and year-to-date financial reports. Sheri Jones seconded, and the motion was approved.

2022 Audit Report

The independent auditors' report for ESS financial activity in the calendar year 2022 was presented by Robert Endriss from Denman & Company LLP. The auditors emphasized that financial statements are the responsibility of management, and it is their duty to ensure completeness, accuracy, and compliance with accounting standards. The auditors' role is to perform an audit and express an opinion on the accuracy of the financial statements.

The audit opinion was provided on the financial statements, stating that they are materially correct, and the opinion was unmodified, indicating a clean bill of health. The financial statements showed a total net position of \$2,749,363.00 as of December 31, 2022. The system experienced growth in revenues due to recording fee income and point-of-sale (POS) payments. Operating costs increased due to additional staff and system maintenance expenses. The statement of cash flows demonstrated a positive cash flow from operations and a net gain in cash. However, a significant portion of the cash flow came from drawing down funds from Fund 255.

In the audit report, there are two important letters - the internal control letter and the governance letter. The internal control letter states that the auditors did not identify any deficiencies in internal control during their audit. This means that the control environment was sound, and no major issues were found that would affect the accuracy and reliability of the financial statements. The governance letter is addressed to the board members and serves as an opportunity for the auditors to highlight any important matters or concerns that arose during the audit process. The governance letter did not contain any significant issues or concerns. The auditors praised the cooperation and responsiveness of the management team during the audit, making the process smoother.

Geralyn Greer made a motion to receive and approve the 2021-2022 Audit Report provided by Denman & Company LLP. Stacie Herridge seconded and the motion was approved.

990 Report

It was noted that the Denman team is assisting with the preparation of the 990 return for the Iowa County Recorders association. The discussion also touched on how the Association will handle the 990 responsibility going forward since the financial transactions of the Association and ESS are now separated. Changes may lead to the use of a simpler form for filing the 990 return.

Accounting System

The current accounting file used with the QuickBooks Enterprise accounting software has grown substantially. The size of the file is affect the performance of the software. For this reason a new QuickBooks file will soon be created. This file will import the chart of accounts and memorized transactions, allowing a fresh start for financial management. The current file will be retained for future reference. The transition process is underway, and care will be taken to ensure that accounts are appropriately maintained.

Search Application

The new search application has been operational for several weeks, and bug fixes and enhancements are being actively addressed. The migration of organizations to the new search application is being implemented in phases beginning with existing E-Submission organizations. Businesses will be targeted in the next phase followed by individual users of the legacy search application. It is expected that the operating of the legacy application will be discontinued by the end of calendar year 2023.

June Metrics

The latest submission trends report showed a decline in revenue in July, dropping back to 2019 levels. While the pattern follows previous years, the overall curve remains lower. The financial situation is being closely monitored, and any budget amendments will be considered if needed in the future.

The meeting was adjourned at 9:30 AM. The next meeting of the Finance Subcommittee is a web conference scheduled for September 12, 2023.

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