

**MINUTES OF FINANCE COMMITTEE MEETING OF
OCTOBER 7, 2013**

Trustees Present: Chair Ellie MacKinney, John Duffy, Robert Getz, Donna Redmer, Student Trustee Alejandro Molina Hoyos

Trustees Absent: Angela Causey, Clare Ollayos, Art Saucedo

ECC Staff and others present: David Sam, Sharon Konny, Rose DiGerlando, Heather Scholl, Amy Folden, Wendy Miller, Joyce Proctor, Mary Crowe, Jeff Julian, Amy Perrin, Kim Wagner, Sharon Wilson, Mary Hatch, Heather Larkin, Fred Lantz (Sikich, LLP), Ray Krouse (Sikich, LLP), Allan Lyon (Sikich, LLP)

1. Call to Order

Chair MacKinney called the meeting to order at 1:04 p.m.

2. Approval of March Minutes

Ms. Redmer moved to approve the May 5, 2013 minutes; Mr. Duffy seconded, and the motion passed.

3. Comprehensive Annual Financial Report (Audit Presentation)

Mr. Fred Lantz of Sikich LLP presented the college's Comprehensive Annual Financial Report, reviewing the Auditor's Communication to the Board of Trustees, Single Audit, Comprehensive Annual Financial Report and Illinois Co-Op Work Study Grant, which was completed and filed on behalf of the college to meet the September 30, 2013 deadline. Mr. Lantz noted that there was a change in industry terminology this year regarding opinions: 'qualified' and 'unqualified' have been replaced with 'modified' and 'unmodified'. Sikich again issued clean, unmodified opinions on the college's financial statements, internal controls over financial reporting, and compliance with laws and revisions that create material impacts on the financial statements.

This year, the college implemented two new accounting principles, GASB statements 63 and 65 which changed some of the terminology used on the face of the statement of net assets and the data migration into new categories. The college's inclusion of the 6% SURS penalty as part of the termination benefit liability was the most sensitive significant estimate to note. Mr. Lantz reported there were no difficulties dealing with management during the audit. There were no uncorrected misstatements and no disagreements with management. The college's accounting system as a whole was in balance, with two individual funds that were not in balance due to transactions between funds, but which were corrected.

Mr. Lantz reported that Sikich did not identify any material weaknesses or significant deficiencies in the college's control environment. Sikich recommends that the college perform periodic inventories and useful life analyses on its capital asset inventory other than

**MINUTES OF FINANCE COMMITTEE MEETING OF
OCTOBER 7, 2013**

buildings. Sikich recommends that Auxiliary Enterprise Operations put additional controls in place regarding the overall generation of fees, extension of credit, and billing processes. Within the Auditor's Communication the Board, Sikich provided the college with improvement recommendations in five areas within Information Technology and Security. Mr. Lantz noted that the college has put many changes in place and is in the process of addressing those it has not.

Mr. Getz joined the meeting at 1:21 pm.

Mr. Lantz stated that all previous recommendations as of June 2012 were implemented by June 2013.

Mr. Ray Krouse of Sikich, LLP presented the Single Audit, noting that there were no significant deficiencies or material weaknesses to report on internal controls. Regarding compliance testing over controls on major programs, over 87% of the college's federal awards were tested and there were no findings this year, which is very impressive for a college as the student financial aid handbook is over 1,000 pages and is very complex. Mr. Krouse stated that the report on the college's financial statement is issued as unmodified. Two small findings from last year were resolved and not repeated. Ms. Redmer asked how significant it is to have an exceptionally clean report like this to which Mr. Lantz responded that it is very rare, especially considering the volume of transactions.

Mr. Lantz commended the college on its Comprehensive Annual Financial Report as it goes well above and beyond the minimum requirements of generally accepted accounting principles, community college statutes, and Illinois Community College Board fiscal management manual.

Student Trustee Alejandro Molina Hoyos joined the meeting at 1:39 pm.

Mr. Lantz stated that Sikich does not issue an opinion on the Introductory and Statistical sections of the report. Gross tuition and fees increased to \$23.6 million from \$22.5 million last year. Operating revenues remained fairly constant. Operating Expenses increased from \$107 to \$113-114 million; this figure is up by \$5 million due to state contribution to SURS which must flow through financial statements, as well as a \$700,000 increase in depreciation expense. Overall, actual costs went up by approximately \$300,000. Property taxes increased \$900,000. Federal grants and contracts decreased. Build America bonds should be monitored due to grant status. There was a positive change in net position of approximately \$5.4 million so from a long-term economic perspective, the college is doing very well in terms of maintaining capital assets and paying down debt faster than capital assets depreciate.

4. Internal Audit Update

Ms. Folden remarked that the committee packet includes the Foundation Audit, Investment Audit, Accounts Receivable Audit, and Food Service Cash Count Report. Mr. Getz inquired about the request for follow-up from previous findings at the next meeting? Ms. Folden

**MINUTES OF FINANCE COMMITTEE MEETING OF
OCTOBER 7, 2013**

indicated that there may not be a follow-up on every report the next period. Ms. Konny added that instances of recommendations and responses are reviewed within the next 12-18 months to ensure implementation of corrections. Mr. Getz asked about two previous issues that were requested for follow-up for this meeting. Ms. Konny advised that a surprise cash count report was included this period and Melissa Tait reports on purchasing procedures each quarter. Going forward, Ms. Folden will note when there are re-audits, including the initial audit date on the current report.

5. Proposed Property Tax Levy – Tax Year 2013

Ms. Scholl noted that the 2012 levy was \$55.02 million. For 2013, the college will ask for \$55.5 million for the operating levy, a 1% increase over the prior year. The debt service is increasing from \$13.3 million to \$15.8 million, an 18.1% increase over the prior year. The estimated operating dollars extension, what the college expects to receive, is \$47 million. Based on estimates, receipts will be about 2.28% higher than what was extended the prior year. The debt service rate is .1411 which is added to operating rate of .4445 for a total tax rate of 58 cents. Last year it was 52 cents.

Ms. Scholl stated that the proposed levy will come before the board in November and any potential changes or requests for additional information need to be considered now. Discussion ensued over possible options to reduce the college's bonds and therefore reduce the tax rate. Due to issues in Springfield and the potential financial shift with regard to pensions, this is not an option that the committee will consider at this point in time.

6. Fiscal Year 2015 Course Fees and Lab Fees

Dr. Sam stated that the action for course and lab fees will come before the board in November.

7. Open

None.

8. Adjournment

Chair MacKinney adjourned the meeting at 2:25 pm.

Respectfully submitted

Heather Larkin, Recording Secretary