AUDIT AND FINANCE COMMITTEE MEETING

BOARD OF ILLINOIS COMMUNITY COLLEGE DISTRICT NO. 519

Counties of Stephenson, Ogle, Jo Daviess and Carroll

CALL TO ORDER/ROLL CALL

A meeting of the Audit and Finance Committee of the Board of Illinois Community College District No. 519 was called to order by Mr. Jim Endress, Board Chair, 3:00 p.m. on October 24, 2023, in the Robert J. Rimington Board Room in the Highland Community College Student/Conference Center, 2998 West Pearl City Road, Freeport, Illinois in said district.

The following members were physically present: Mr. Doug Block, Mr. Jim Endress, Mr. James Rhyne Jr., and Ms. Mary Kaufman

The following members attended virtually: None

The following members were absent: Mr. Shawn Boldt

Others physically present: Ms. Chris Kuberski, President; Ms. Jill Janssen, Vice President/CFO, Administrative Services, Board Treasurer; Mr. Pete Fink, Director, ITS; and, Ms. Terri Grimes, Board Secretary

Others virtually present: Ms. Sara McKenna, Wipfli LLP; Mr. Aaron Shum, Wipfli LLP; Mr. Pete Norman, Director, Athletics & Physical Education

APPOINT COMMITTEE CHAIR PRO TEM

In Mr. Boldt's absence, Ms. Kaufman moved and Mr. Block seconded the motion to appoint Mr. Jim Endress, Board Chair, the Committee Chair Pro Tem. The vote being unanimous, the Board Chair declared the motion carried.

PUBLIC COMMENTS

There were no public comments.

REVIEW AND DISCUSSION OF FY23 AUDIT REPORT

Ms. Janssen introduced Ms. Sara McKenna, Senior Manager, and Mr. Aaron Shum, Senior Accountant, who are two of the team members from Wipfli who conducted the annual audit. Mr. Shum also served as the day-to-day audit contact. Ms. McKenna began by reporting that normally there are five audit opinions in the annual audit report, but this year the credit hour data opinion had to be separated out as Wipfli awaits data from the Illinois Community College Board (ICCB), so this will be a separate opinion. Overall, the College received a clean "unmodified" opinion on the basic financial statements, as well as on the State Adult Education program.

Ms. McKenna shared highlights of the audit. The College issued $7.1 million in bonds this year. There was $1.4 million new subscription liability reported, and $1.9 million principal paid on long-term debt. There was also a $5.7 million decrease in net OPEB (other post-employment benefits), to which the State also contributed funds. Net non-operating revenues (expenses) increased $357,000, while SURS and CIP (College Insurance Program) on-behalf revenues decreased $2.2 million. Federal grants decreased $3.8 million, of which the student and institutional portions of HEERF decreased $3.6 million. All cash and deposits were properly collateralized. GASB 96 was implemented July 1, 2022, related to subscription-based information technology arrangements (SBITAs). Ms. McKenna noted that 43.5 percent of the College's revenue comes from local taxes, which includes property and replacement taxes, while 15.2 percent comes from tuition, and 12.6 percent from federal grants. Instruction accounts for 33.9 percent of expenses, while institutional support accounts for 17.6 percent, and operation and maintenance accounts for 9.9 percent. Since 2019, ICCB reimbursable credit hours have declined, with a decline of around 2,200 from last year. Assessed valuations continue to go up each year, and as the assessed valuations go up, tax revenue goes up. The College's legal debt margin is $48.9 million.

Ms. McKenna referred to the Schedule of Findings and Questioned Costs on page 125 of the audit and noted that there were no findings. There were no internal control issues or material weaknesses; however, Ms. McKenna recommends that the College require employees to sign off on the Information Technology (IT) Acceptable Use Guidelines. The audit also included a testing of one month of credit card purchases, and the auditors found some noncompliance with missing receipts, some receipts not itemized, and late credit card reconciliation. Ms. McKenna reported that the credit card documentation should include what the purchase is for, and items should be delivered only to the College, not a different address. She also stated that there should be better controls for distribution of gift cards, suggesting perhaps having a log that is signed by the employee and the recipient of the gift card to make sure they are getting to the right spot. In the investment accounts, with the bond issuance, the proceeds went into the investment account, so they looked at the transactions closer. The auditors noticed that some deposits were recorded incorrectly and not reconciled for three months, however, there was nothing deemed to be a significant deficiency. Ms. McKenna also noted two "generic" comments in the Management Letter. She explained that with the implementation of GASB 96, it is recommended that the College create a Board-approved written subscription policy, determining what threshold makes sense. The other generic comment was on tuition scholarship allowance. Right now, a calculation is done mostly related to financial aid and some scholarships where they may be claimed as tuition and also as grant revenue, so it is almost like double counting the tuition revenue. A scholarship allowance would reduce tuition revenue and reduce student scholarships and grants by the same amount. It is an adjustment made between the government-wide financial statement and the fund financial statement so it is not actually seen on the books, per se. The National Association of College and University Business Officers (NACUBO) issued new guidance on how the calculation should be done. Under the new guidance, there are four methods from which to choose, but none of the four are the same as the old methods, so Ms. McKenna suggested reading over which method would be the most feasible and getting that calculation into the report for next year. She concluded the overview of the audit by noting that the large part of the audit is done, but there are still a couple open items.

Mr. Rhyne asked about the debt margin and whether that is a financial calculation related to Highland or linked to an ACCT best practice. Ms. Janssen explained that the legal debt margin is a statutory limit and is a rate every community college has to use, which is multiplied by the equalized assessed valuation (EAV). The result of the calculation is the maximum for which the College would want to issue debt. The district's tolerance also plays into that. If more debt is issued, it also affects the tax rate. When the legal debt limit was discussed previously, Ms. Janssen did not realize the SBITAs needed to be included in the legal debt margin. At that time, the College's legal debt margin was 15 percent, but with the SBITAs included, the College is now at 25 percent. She surveyed other community colleges and, of those that replied, most were at 25 percent debt margin, but Ms. Janssen believes the average will go up statewide due to needing to include the SBITAs. She noted that a debt margin of $18 million would cause an average property owner's property taxes to go up about $12.

CLOSED SESSION

Ms. Kaufman moved and Mr. Block seconded the motion to move into Closed Session for the purpose of a meeting between internal and external auditors and governmental audit committees, finance committees, and their equivalents, under Open Meetings Act exception 2-C-29. The roll call on the motion was as follows:

AYES:	Endress, Kaufman, Block
NAYS:	None

Whereupon the Chair Pro Tem declared the motion carried.

Mr. Endress explained that the public attendees through Zoom would remain in the meeting, with the video and audio muted, while the Board was in Closed Session. The video stream and meeting would resume after the Closed Session.

At 3:34 p.m., the Chair Pro Tem declared the meeting in Closed Session.

Mr. Block moved and Ms. Kaufman seconded the motion to end the Closed Session. The roll call on the motion was as follows:

AYES:	Kaufman, Block, Endress
NAYS:	None

At 3:43 p.m., the Chair Pro Tem declared the motion carried and the Closed Session ended.

OLD BUSINESS

There was no old business

NEW BUSINESS

There was no new business.

ADJOURNMENT

Ms. Kaufman moved and Mr. Block seconded the motion to adjourn the meeting of the Audit and Finance Committee. At 3:43 p.m., the vote being unanimous and there being no further business, the Chair Pro Tem declared the motion carried and the meeting adjourned.

Respectfully submitted,

Terri A. Grimes

Terri A. Grimes, Board Secretary
Illinois Community College District No. 519