

REVISED

MINUTES

SPECIAL BOARD MEETING
of MCHENRY COUNTY COLLEGE

A Special Meeting of the Board of Trustees of McHenry County College was held on Tuesday, October 15, 2013 in the Board Room, Room A217, in Building A on the Campus. Chair Parrish called the meeting to order at 6:00 p.m. When Mr. Jenner called the roll, the following were present:

Mr. Jenner
Ms. Kisser
Ms. Liddell
Ms. Miller
Ms. Walsh
Mr. Wilbeck
Mr. Parrish

Ms. Lambert was absent. Attorney Daniel Curran was present as legal counsel.

PLEDGE OF ALLEGIANCE

Chair Parrish led the group in the Pledge of Allegiance.

ACCEPTANCE OF AGENDA

The agenda was accepted as presented.

PUBLIC COMMENT

Mr. Cal Skinner addressed the Board. He asked why the management letter was not posted on the website with the meeting agenda. Mr. Parrish stated that the management letter is not public, after which Mr. Skinner expressed his displeasure.

CLOSED SESSION

Mr. Parrish stated that the purpose of tonight's closed session was to review the audit report and asked for a motion. At 6:06 p.m. Ms. Miller moved to go into Closed Session to discuss matters covered under the Illinois Open Meetings Act, 120/2 (c), Exception #29, *Meetings between internal or external auditors and governmental audit committees, finance committees, and their equivalents, when the discussion involves internal control weaknesses, identification of potential fraud risk areas, known or suspected frauds, and*

fraud interviews, and Ms. Liddell seconded the motion. There was no discussion. The roll was called and all were in favor; the motion carried. Closed Session began at 6:06 p.m.

At 6:40 p.m. Ms. Liddell moved to come out of Closed Session and Ms. Walsh seconded the motion. There was no discussion. A voice vote was taken and all were in favor; the motion carried. Closed Session ended at 6:40 p.m.

FY 2013 AUDIT PRESENTATION

Mr. Fred Lantz of Sikich LLC, the College's audit firm, commended the College for voluntarily preparing and publishing a full-blown Certified Annual Financial Report (CAFR), which, once approved by the Board and sent to the Illinois Community College Board, will be published on the College's website.

Mr. Lantz stated that the College was given a clean, unmodified opinion on financial statements, and added that McHenry County College is one of only twelve community colleges in Illinois to prepare a full CAFR and receive a clean, unmodified opinion from its auditors, and one of only seventy community colleges in the country to do so. Mr. Lantz encourages anyone interested to read the management discussion analysis, which covers three years of financial information and reflects what changed during that period.

Mr. Lantz stated that the financial statements were prepared under the accrual basis of accounting; Interfund transactions and Interfund receipts and payments are all eliminated, so there is a true set of consolidated financial statements. Total assets of \$108 million are up \$4 million from the prior fiscal year. Mr. Lantz noted that overall liability is down a little from the last fiscal year. He stated that the working capital ratio is strong at 5:1; a significant portion is put aside for future capital purposes, \$11 million. He noted that \$7 million is restricted for capital improvement. Mr. Lantz stated that restricted net monies are set aside; someone outside tells the College how that money can be spent. He stated that the College's ratio is low for its size and noted that most community colleges have a higher ratio while McHenry County College has shifted towards capital purposes. He noted that the College is converting short-term assets into long-term capital assets to better serve its constituency over a longer period of time.

Mr. Lantz stated that the overall income statement is different from the private sector, which is funded by non-exchange revenues. He noted that tuition revenue is down from \$14 million to \$13.2 million, stating that this is net tuition, not gross tuition, which was up \$150,000.00 last year, which tells the reader that more tuition dollars are being paid by Pell or other grants versus students' pockets.

Mr. Lantz stated that many institutions try to set aside enough money to cover accumulated depreciation of assets and noted that capital assets are recorded at historical cost, much different than today. He noted that the College has accumulated \$23 million for buildings and equipment at the end of the year, with \$11 million of that amount restricted for capital purposes, which is below where the College wants to be.

Mr. Lantz was pleased to report that the College's sub-funds all ended up in the black with no deficits.

Mr. Lantz stated that fund balances are lower, at 32% of overall expenses and noted that 25-40% is recommended as a minimum. He spoke of a Government Finance Officers Association publication that identifies sixty risk factors to use in determining whether a college has enough fund balance. He stated this is a good exercise to go through every three to five years to determine what an institution's fund balance should be. Mr. Tenuta is looking into the use of this publication.

Mr. Lantz addressed net income or loss. He stated that the first five columns showed a positive change in the Education Fund and a negative change in the Operations and Maintenance fund. He noted that the College was about \$400,000.00 to the good from an operating standpoint, and noted that paying down debt has resulted in a \$2.2 million gain. After the presentation, Mr. Lantz received brief comments and questions from the Trustees. Mr. Jenner questioned Mr. Lantz's statement that some funds can only be used for purposes levied; Mr. Lantz responded that the Education Fund is an unrestricted levy. Mr. Jenner questioned whether levy money in the Education Fund could be used to build buildings; Mr. Lantz answered yes, unrestricted monies in the Education Fund can be used for a variety of purposes.

FISCAL YEAR 2013 AUDIT AND MANAGEMENT LETTER, Board Report #13-192

Ms. Miller moved to approve Board Report #13-192, Fiscal Year 2013 Audit and Management Letter, and Ms. Liddell seconded the motion. During discussion, Mr. Jenner clarified whether the audit and the CAFR are the same things; it was confirmed that they are the same. The roll was called; Ms. Kisser, Ms.

Liddell, Ms. Miller, Ms. Walsh, Mr. Wilbeck and Mr. Parrish voted in favor; Mr. Jenner voted against.

The motion carried.

SUMMARY COMMENTS BY BOARD MEMBERS

Ms. Miller thanked Mr. Tenuta and his staff for putting together a great report; Ms. Miller stated she can see the hard work that went into its preparation. Ms. Walsh asked that the Board revisit the issue of a Finance Committee and Mr. Parrish confirmed that the Board will revisit this issue.

ADJOURNMENT

Hearing no further business, Chair Parrish adjourned the meeting at 7:04 p.m.

Patricia Kriegermeier, Recording Secretary

Chris Jenner, Board Secretary