

BOARD OF ILLINOIS COMMUNITY COLLEGE DISTRICT #523
Audit Committee Meeting
February 29, 2016

CALL TO ORDER	The Audit Committee meeting of the Board of Illinois Community College District #523, held at Kishwaukee College, Malta, Illinois, was called to order at 3:03 p.m. by Audit Committee Chair, Robert Johnson, on Tuesday, February 29, 2016, in room C-2175.								
ROLL CALL	<table><tr><td><u>Members Present:</u> Robert Johnson Sarah Taylor – NB&T Bobbi Burke Laurie Borowicz Beth Young</td><td><u>Visitors:</u> <u>Sikich, LLP</u> Raymond Krouse Frederick Lantz Carla Paschal</td></tr><tr><td><u>Members Absent:</u> Rob Galick</td><td></td></tr><tr><td><u>Member(s) Participating by Conference Call:</u> Kathy Watkins</td><td></td></tr><tr><td><u>Others Staff Present Were:</u> Cindy McCluskey, Executive Assistant to the President John Acardo arrived at 3:12 pm Kevin Fuss joined the meeting at 3:16 pm.</td><td></td></tr></table>	<u>Members Present:</u> Robert Johnson Sarah Taylor – NB&T Bobbi Burke Laurie Borowicz Beth Young	<u>Visitors:</u> <u>Sikich, LLP</u> Raymond Krouse Frederick Lantz Carla Paschal	<u>Members Absent:</u> Rob Galick		<u>Member(s) Participating by Conference Call:</u> Kathy Watkins		<u>Others Staff Present Were:</u> Cindy McCluskey, Executive Assistant to the President John Acardo arrived at 3:12 pm Kevin Fuss joined the meeting at 3:16 pm.	
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WELCOME/OPENING COMMENTS	Mr. Johnson welcomed everyone and asked for brief introductions.								
MINUTES	<p>The minutes of the regular and closed session Board of Trustees Audit Committee meetings from September 30, 2014, were presented for approval. Mr. Johnson and Ms. Taylor noted corrections to the minutes.</p> <p>On a motion by Ms. Taylor seconded by Dr. Burke and unanimously carried, the Audit Committee approved the regular and closed session minutes of the Board of Trustees Audit Committee meeting on February 29, 2016 with amendments noted.</p>								
Review of FY15 Audit Recommendations	<p>Review of FY'15 Audit Recommendations</p> <ul style="list-style-type: none">a. Significant Deficiencyb. Deficienciesc. Single Audit Federal Award Findings <p>Mr. Johnson noted we have separate line items for audit so if we need to do something in the audit area we could check into paying for it out of the audit fund. Mr. Fuss stated the penetration testing is in the FY17 budget. It will cover audit and production of reports and systems to use for the reports. Mr. Johnson asked if that could come under audit and be paid for out of that account. We will check.</p>								
Update of FY'14 Audit Recommendations – Purchasing Policy	The Board approved a Purchasing Policy and we had a roll out plan to have everyone trained and ready to go by February. The Purchasing Policy rollout was dead in the water for a few months because of the budget situation and determining some costly re-strategies. We notified our staff of reduction in force. Dr. Borowicz noted we will bring this back to the Board after it is cleaned up. Dr. Borowicz stated we would look at some best practices with other colleges and will be updating our purchasing policy.								
FY16 Developments	Our current Vice President of Finance & Administration is on administrative leave and we need to review our internal controls with the new segregation of duties.								

Additional Audit Requirements

Due to the VP of Finance and Administration being on administrative leave, we may request additional audit requirements. Mr. Johnson noted that typically when someone in a position such as that of the VP of Finance and Administration leaves an organization the recommendation would be to have a financial audit done. Our fiduciary responsibility is to make sure that we look at everything and have recommendations in place for checks and balances. Sikich will review information and make a recommendation to include a special audit to coincide with our regular audit if needed.

FY 16 Audit Schedule

Ms. Paschal reviewed the proposed audit schedule.

- Pre-audit Planning Meeting – February 29, 2016
- Internal control documentation – April 25, 2016
- Preliminary field work
 - Financial - April 25-28, 2016
 - Grant, April 25 – April 29, 2016
- Inventory Observation
 - Bookstore – June 30, 2016
- Field work (trial balances e-mailed by August 8 Foundation and August 14 (College))
 - August 15-26, 2016
- Reports
 - Rough draft of financial audit, representation letter – August 29, 2016
 - Letter of transmittal, management’s discussion and analysis and statistical information prepared by College – September 5, 2016
 - Deliver draft of financial and compliance audit, including management letter –September 12, 2016
 - Return draft to Sikich with comments – September 19, 2016
 - Deliver draft for Audit Committee (electronic) – September 26, 2016
 - Exit Conference with Audit Committee – September 27, 2016, 2:00 pm; Foundation 3:00 pm
 - Deliver final reports and management letter – October 5, 2016
 - Presentation to the Board - NA

Implementation of new GASB Pronouncements

Mr. Lantz reviewed the Implementation of new GASB pronouncements.

GASB Statement No. 72, Fair Value Measurement and Application, addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. Statement No. 72 is applicable for the fiscal year ending June 30, 2016.

GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria. The provisions in Statement No. 73 are effective for fiscal years ending April 30, 2016—except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement No. 68, which are effective for financial statements for fiscal years ending June 30, 2016 and 2017.

GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, addresses reporting by OPEB plans that administer benefits on behalf of governments and replaces GASB Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. Statement No. 74 addresses the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria.

Implementation of new GASB
Pronouncements (cont'd)

The statement builds upon the existing framework for financial reports of defined benefit OPEB plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. Statement No. 74 enhances note disclosures and RSI for both defined benefit and defined contribution OPEB plans. Statement No. 74 also requires the presentation of new information about annual money weighted rates of return in the notes to the financial statements and in 10-year RSI schedules. The provisions in Statement No. 74 are effective for OPEB plan or sponsoring employer financial statements for periods beginning after June 30, 2017.

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, addresses reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments and replaces the requirements of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as they relate to governments that provide benefits through OPEB plans administered as trusts or similar arrangements that meet certain criteria. Statement No. 75 requires governments providing defined benefit OPEB to recognize their long-term obligation for OPEB as a liability for the first time, and to more comprehensively and comparably measure the annual costs of OPEB benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI). The provisions in Statement No.75 are effective for fiscal years beginning after June 30, 2018.

GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, reduces the generally accepted accounting principles (GAAP) hierarchy to two categories of authoritative GAAP: officially established accounting principles – GASB Statements (Category A) and GASB Technical Bulletins; GASB Implementation Guides; and literature of the American Institute of Certified Public Accountants cleared by the GASB (Category B). Statement No. 76 also addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. Statement No. 76 is applicable for fiscal years ending June 30, 2016 and should be applied retroactively. Earlier application is permitted

GASB Statement No. 77, Tax Abatement Disclosures, requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and reduce the reporting government's tax revenues. The requirements of this statement are effective for financial statements for the fiscal year ending June 30, 2017.

GASB Statement No. 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans, amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The requirements of this statement are effective for financial statements for the fiscal year ending June 30, 2017.

GASB Statement No. 79, Certain External Investment Pools and Pool Participants, addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes.

Implementation of new GASB
Pronouncements

An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant. The requirements of this statement are effective for financial statements for the fiscal year ending June 30, 2017.

GASB Statement No. 80, Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14, amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, Determining Whether Certain Organizations Are Component Units. The requirements of this statement are effective for financial statements for the fiscal year ending June 30, 2017.

Other Business

None

Adjournment

With no further business coming before the audit committee, Mr. Johnson asked to adjourn the meeting at 4:12 pm. On a motion by Dr. Burke, seconded by Ms. Taylor and on a unanimous vote, the meeting was adjourned.

The next meeting of the audit committee will be scheduled as needed.

Chair, Board of Trustees Audit Committee