

**HARRISBURG AREA COMMUNITY COLLEGE  
BOARD OF TRUSTEES FINANCE COMMITTEE**

Wednesday, October 29, 2008, 7:30 A.M.  
Boardroom, B106

**MINUTES**

**Present:**

Mr. Terry Burrows	Dr. Winnie Black
Mr. Daniel Delaney (via telephone)	Ms. Eleanor Bosserman (via telephone)
Senator Patricia Vance (via telephone)	Ms. Pat Conklin
Mr. Mark Whitmoyer	Mr. John Eberly
	Mr. Thomas Fogarty
	Ms. Barbara Hutchinson
	Ms. Nancy Rockey
	Ms. Meredith Tulli
	Ms. Patricia Verdon
	Mr. Ronald Young

Guests: Mr. John Malloy, PFM  
Mr. Brian Sanker, PFM  
Mr. Scot Orndorff, SEK  
Mr. Craig Witmer, SEK  
Mr. Jason Young, SEK

**Presentation – Audited Financial Report for FY 2007-08**

Smith, Elliott, Kearns & Co. (SEK) presented the College's FY 2007-08 audited financial statements to the Finance Committee. Mr. Jason Young reviewed the financial statements in detail. He pointed out that the College had an unqualified opinion, which is the cleanest opinion that the College can receive. He also noted that the MD&A was not audited, but that it is good information, and he encouraged the committee to review it. He then went on to discuss specifics of the financials and highlighted the significant items. Ms. Hutchinson noted that an analysis of the debt fund and other ratios will be available for the next meeting.

There were no significant deficiencies or material weaknesses identified in this year's audit. Mr. Burrows complimented the finance staff. There seems to be a significant improvement in internal controls, Mr. Burrows noted. In the past, if there ever was a finding or minor issue, staff have always resolved the issues immediately, Mr. Orndorff added. This year there were risk assessment standards that came into play that required us to do additional work and look closer at internal controls, Mr. Witmer explained. As a result of that process, we've seen more findings come up with many clients, but that didn't happen here, Mr. Witmer explained further. We discussed the new standards with everyone so that they were aware of the changes this year, and everyone contributed to make sure there were no findings, Mr. Eberly noted.

Mr. Witmer discussed the management letter and highlights. This letter includes suggestions on things that weren't significant enough to be labeled a finding, but it is something that the auditors wanted to point out. Under ITS, he noted that many improvements were made from last year. He then went on to discuss investment policies. In the current investment policy, it does not cover risks identified by GASB 40, which requires the disclosure of certain types of risks. With the current economic situation, this is something the College should include. Mr. Burrows was surprised that this was not covered by PFM when the investment policy was reviewed. We engaged PFM to formulate an investment policy, and I don't recall specifically addressing issues of risks in that policy and am surprised that PFM did not address it, he explained further. This will need to be reviewed.

Mr. Witmer discussed GASB 45 – postemployment benefit plans with the committee. This will be implemented in the 2008-09 audit. GASB 45 applies to all school districts in Pennsylvania. The College is required to allow retirees to purchase insurance. On the surface, it feels like they are not receiving a benefit because they are reimbursing the College for their premium, but in theory, the College is actually paying more insurance for active employees because the older demographic is driving up the rate, he explained. In essence, they are receiving a benefit in the form of extra payments that the College is making for current active employees, he explained further. An actuarial evaluation has been done. The annual contribution will range from \$400,000-\$570,000 depending on which actuarial method is chosen. This means if the College decides to fund it and set money aside in an irrevocable trust that’s going to be used to fund those benefits for the future, then there will be no liability on the books—just footnotes. If the College decides not to fund it, then each year the shortfall in that annual required contribution will show up as a liability. In a two year period there will be roughly a \$500,000-\$800,000 liability on the books and will grow over time until the \$2.5MM is reached, which is the actuarial accrued liability. Most of the entities we’ve talked to have decided not to fund it, Mr. Orndorff added. Ms. Hutchinson noted that there is a conference call scheduled with Conrad Siegel who did the actuarial study to understand the assumptions of the study, and a recommendation will be brought to the Finance Committee.

The committee thanked SEK and staff for a successful audit.

### **Banking Services Contract**

The resolution regarding banking services was reviewed. Mr. John Malloy from PFM reviewed the evaluation matrix with the committee. We wrote the RFP and developed criteria so that we could review and analyze the banks based on qualifications, experience, collateral, banking services, online transaction and balance reporting, internal controls, conversion, new services and ideas, locations within 5 miles of each campus, and proposed fees and compensation, Mr. Molloy explained. He reviewed each category and the different responses from each bank. The contract would be for three years with two one-year options. The committee felt that the evaluation process should have included who has been a good community partner to the College. This was not part of the original RFP criteria. We can’t entirely base the decision on community partnering, but we should at least keep it in mind, Mr. Burrows noted. The committee agreed.

The top four banks were very close in their ranking. Mr. Delaney would like to see a short list of the banks who have partnered with the College. It’s important that we use the matrix that PFM presented so that we can confidently pick the strongest bank, Mr. Delaney explained, but the secondary consideration should be community partnering. Mr. Delaney would also like to hear administration’s comments. If we do change banks, Ms. Hutchinson would like to accomplish the changeover several months prior to July so that we have a fresh start in the new fiscal year.

Mr. Burrows felt there were several flaws in the matrix. PFM is doing the best they can and are being completely objective, but there are some areas where certain banks were given no points because the bank is small—they probably should have been given a few points, he explained. There is an obvious degree of subjectivity in this matrix, and the ratings are so close and some of PFM’s ratings are unreasonably low, Mr. Burrows added. Since it’s so close, we have to bring in other factors, such as community partnering, Ms. Rockey added.

It was noted that in order for M&T to continue to waive fees, they require a minimum balance of \$4.5MM consistently maintained across all accounts with no investment income. Due to this reason, Mr. Burrows felt that M&T should probably not be considered. The committee agreed. The three banks that should be considered based on their scores are Citizens, Commerce, and Fulton, but we need to make it clear to the other banks that we will allow them to bid on CDs, Mr. Burrows explained. Over the past few months we have moved CDs into other banks and have invited those that were on the approved list to bid on CDs, Ms. Hutchinson noted. We have some very happy community partners out there since we have started to spread business around, Ms. Rockey added.

Mr. Fogarty suggested weighing the matrix/analysis at 90% and adding a column for community partnering at 10%. This resolution will be tabled until next month, and additional information will be gathered and shared with the committee so that an informed decision can be made.

### **Minutes**

The minutes of the October 1, 2008 Board of Trustees Finance Committee meeting were reviewed and approved.

### **Resolutions**

The following resolutions were approved by the committee and will be forwarded to the full Board for review/approval: 1) Purchase of CISCO network equipment for all campuses; 2) Purchase of printing and processing of Spring 09 Noncredit tabloids for the Harrisburg Campus; 3) Contract to seal coat the North parking lot at the Lancaster Campus; 4) Contract to construct a police tactics training building at the John J. Shumaker Public Safety Center; and 5) Contract to develop business risk assessment and three years of internal audit services for all campuses. The winning firm, Boyer & Ritter, is associated with a national firm, RSM McGladrey, so if they can't do something, they will bring in a consultant. They also have a Sarbanes Oxley expert on staff, had the best interview, and the strongest qualifications. With an outside agency, they will have expertise in all areas that need to be audited.

The following additional resolutions were also approved: 1) The acceptance of Pennsylvania Partners in the Arts grant from Pennsylvania Council on the Arts; 2) The acceptance of Title I grant activities for the South Central Workforce Investment Board; 3) Gifts-in-kind; and 4) Gifts and scholarships. The report of revenues and expenditures for September 30, 2008 was reviewed and approved.

The contract to develop a facilities master plan for the John J. Shumaker Public Safety Center was tabled at the Board Buildings and Grounds Committee. Mr. Franklin will be meeting with purchasing staff and the evaluation team and reviewing the evaluation matrix process. Also tabled was the resolution regarding the student worker pay scale. The Human Resources Office is currently benchmarking these wages, so this will be brought back to the Board at a later date.

### **Discussion Item**

The summary of investments for the quarter ending September 2008 was reviewed.