

**BOARD OF REGENTS**  
EASTERN MICHIGAN UNIVERSITY

SECTION: <u>24</u>
DATE:  March 21, 2006

**RECOMMENDATION**

**MONTHLY REPORT - FINANCE AND AUDIT COMMITTEE**

**ACTION REQUESTED**

It is recommended that the Working Agenda for the March 21, 2006 Finance and Audit Committee meeting and the minutes for the January 17, 2006 Finance and Audit Committee meeting be received and placed on file.

**STAFF SUMMARY**

Regular agenda items for the January 17, 2006 Finance and Audit Committee meeting were: Finance and Audit Committee Monthly Report; 2004-05 Financial Report on EMU Charter Schools; State of Michigan Comprehensive Annual Financial Report; FY 2005 WEMU-FM Audited Financial Statements; Filing of Fiscal 2005 Exempt Organization Business Income Tax Return (Form 990T); Amendment to the Joint Operating Agreement Between EMU and the EMU Foundation; Restructuring General Fund Scholarship Program; TIAA-CREF Open Plan Solutions Recordkeeping Services; JCOS Resolution; and Supplement to Resolution of the Board of Regents of Eastern Michigan University Adopted October 21, 2005 Authorizing the Issuance and Delivery of General Revenue Bonds and Providing For Other Matters Relating Thereto. Consent Agenda items discussed were: Treasurer's Report, Internal Audit Report, Grants/Contracts Report, Construction Projects Progress Report, Accounts Receivable Report, Interim Budget Status Report, Information and Communications Technology Initiatives Report, Staff Appointments, and Separations/Retirements.

The agenda for the March 21, 2006 Finance and Audit Committee meeting and minutes of the January 17, 2006 Finance and Audit Committee meeting are attached.

**FISCAL IMPLICATIONS**

The fiscal impact of the actions taken are listed in the appropriate sections and are included in the Board minutes.

**ADMINISTRATIVE RECOMMENDATION**

The proposed Board action has been reviewed and is recommended for Board Approval.

\_\_\_\_\_  
University Executive Officer

\_\_\_\_\_  
Date

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**EASTERN MICHIGAN UNIVERSITY  
BOARD OF REGENTS  
FINANCE AND AUDIT COMMITTEE MEETING**

**March 21, 2006**

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**FINANCE AND AUDIT COMMITTEE MISSION:**

*To review the financial affairs of the University, assuring costs are managed effectively, revenues are growing, the budget is balanced, valuable resources protected with uncompromising integrity while working effectively with the many different constituencies to achieve University goals.*

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**Section 23: Finance and Audit Committee Monthly Report**  
Steve Holda, Interim Director of Finance

**CONSENT AGENDA**

- Section 1: Treasurer's Report**  
Steve Holda, Interim Director of Finance
- Section 2: Internal Audit Report**  
Kirk Balcom, Rehmann Robson
- Section 3: Grants/Contracts Report**  
Brian Anderson, Director, Office of Research Development
- Section 4: Construction Projects Progress Report**  
Anthony Catner, Associate Vice President for Business and Finance –  
Facilities
- Section 5: Accounts Receivable Report**  
Thom Madden, Director, Student Business Services
- Section 6: Interim Budget Status Report**  
Al Levett, Director, Budget Management
- Section 7: Information and Communications Technology Initiatives**  
Connie Schaffer, Interim Chief Information Officer and Executive Director,  
Information and Communication Technology
- Section 8: Staff Appointments**  
Craig Reidsma, Director, Compensation, Employment and HRIS
- Section 9: Separations/Retirements**  
Craig Reidsma, Director, Compensation, Employment and HRIS

**REGULAR AGENDA**

- Section 24: Financial Aid Tuition Discounting Plan**  
Bernice Lindke, Assistant Vice President for Enrollment
- Section 25: Lease Agreement: Follett Higher Education Group (Student Center Bookstore)**  
Jim Vick, Vice President for Student Affairs
- Section 26: Lease Agreements: Food Vendors for Student Center**  
Jim Vick, Vice President for Student Affairs

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- Section 27: Policy Revisions: Capital Project/Improvement Funding and Travel 11.4.1**  
Steve Holda, Interim Director of Finance
- Section 28: Policy Revision and Resolution: Joint Capital Outlay Subcommittee (JCOS) Policies and Procedures**  
Ken McKanders, University Attorney
- Section 29: Board By-Law Policy Revision and Finance, Audit and Investment Committee Charter**  
Ken McKanders, University Attorney

**EASTERN MICHIGAN UNIVERSITY**  
**Board of Regents**  
**FINANCE AND AUDIT COMMITTEE**

**MINUTES OF MEETING**

January 17, 2006

**Present:** Antonini, Wilbanks, Rothwell, Sidlik, Brandon, Valvo, Incarnati, Clack

**MONTHLY REPORT**

Steve Holda recommended that the working agenda for the January 17, 2006 Finance and Audit Committee meeting and the minutes for the November 15, 2005 Finance and Audit Committee meeting be received and placed on file.

**TREASURER'S REPORT**

Steve Holda recommended that the Treasurer's Report for the month of November 2005 be received and placed on file. Holda reported that yields are exceeding benchmarks, with the exception of the five-year treasury note, which is the benchmark for the intermediate duration government agency bonds. Cash and investments totaled \$92,560,219 and were invested with a total annualized return of 3.52 percent. Cash and investments (excluding bond proceeds) as of November 30, 2005 increased by \$13.1 million compared to prior year due to variances resulting from increased tuition and fees, accounts receivable collections (\$2.1 million), and lower insurance expenditures. Holda reported that the University received an insurance settlement to cover the cost of replacing all locks on campus, necessary after a vendor lost a set of University keys.

**INTERNAL AUDIT REPORT**

Kirk Balcom from Rehmann Robson recommended that the internal auditor's activity report for the period December 2005 through January 2006 be received and placed on file. A report of findings and recommendations resulting from the special audit of the design/build contractor for the new student center was submitted. Balcom said this audit focused on verifying that actual costs are passed on to the University from the design/build contractor. Balcom said there were two recommendations for improved control, and physical plant management is proceeding with actions to implement them.

**GRANTS AND CONTRACTS REPORT**

Brian Anderson recommended that 51 grants and contracts totaling \$2,476,058 for the period November 1, 2005 through December 31, 2005 be accepted. One-hundred percent sponsor-funded grants and contracts in the amount of \$1,888,269 were awarded during the period. Grants and contracts requiring EMU cost-sharing and/or in-kind contributions totaled \$590,789. Cash contributions for awards during the period were \$10,304 for a fiscal year to date total of \$212,754 against a base budget of \$342,775. Anderson reported that 191 proposals with a total value of \$11,635,000 were processed during the reporting period. The number of proposals is

down 34 from last year, and the dollar value is down \$1.9 million from last year. Anderson reported that 145 awards were processed with a total value of \$8,369,392. This is 37 fewer awards compared to last year – but the dollar value is up \$1,143,898. Comparing performance versus plan, the number of proposals are down 56 from the plan, and proposal value is down \$8.3 million from the plan. The number of awards are down 50 from the plan, but the dollar value of awards is up \$1,019,000 from last year.

### **CONSTRUCTION PROJECTS PROGRESS REPORT**

Tony Catner and Larry Ward recommended that the Construction Projects Progress report as of November 30, 2005 be received and placed on file. Ward reported that DPS has been assisting the Plant with the installation of a campus surveillance system. The Plant is also re-keying and installing card access systems in various buildings across campus. Catner reported that demolition of Pine Grove is underway and on schedule, which includes asbestos abatement of the structure. Catner said the recent mild weather allowed the Student Center project to maintain its schedule. Regent Antonini asked if the current projects are in line with the budget, and Catner said they are. Catner said the Plant has internal checks and balances in place to stay in line with budgets.

### **ACCOUNTS RECEIVABLE REPORT**

Thom Madden recommended that the student accounts receivable ratio analysis, the student accounts receivable reports and the collection agency inventory as of November 30, 2005 be received and placed on file. Madden reported the student accounts receivable ratio analysis reflects a net receivable balance of \$68.0 million or 50.82 percent of revenue, versus \$24.1 million or 28.82 percent of revenue from November 2004. Madden reported the 2005 balance increased by \$43.9 million, or 22 percent; and also shows an increase of nearly 18 percent from the five-year average of 32.95 percent. Madden said that this year's increase is distorted because last year's winter tuition and fees were assessed in December 2004, versus this year's assessment taking place prior to the Thanksgiving break in November. Payment plans have increased 100 percent over the prior year-to-date count. Madden reported that over 600 students were enrolled in the "edu-gate" payment plan, which allows students to transfer a past due balance into the current term and still get registered for classes. Madden indicated that his staff are focused on collecting receivables as well as considering ways to bring students back to the University. Regent Antonini asked what the net receivables will be at fiscal year-end 2006 compared to fiscal 2005 year end. Madden said he expects the downward trend to continue, with net receivables falling within the five-year average.

### **FY 2006 GENERAL FUND INTERIM BUDGET STATUS REPORT**

Al Levett recommended that the fiscal year 2006 General Fund Budget Interim Status Report as of November 30, 2005 be accepted and placed on file. Levett reported that the final appropriation from the state of Michigan for fiscal 2006 exceeded the approved plan by \$202,200. In January 2006, the University also received an expected appropriation restoration payment for fiscal year 2005 in the amount of \$610,800. The current fiscal year total revenue

expectation, including the prior year carry forward authorization, now totals \$217.2 million. Levett reported that the general fund revenues through November 30 totaled \$120,600,000 or 57 percent of planned revenues. Appropriations received from the state of Michigan totaled \$13,846,000. The combined summer and fall enrollments totaled 274,517 student credit hours, which represents 98.6 percent of our plan. Levett said winter enrollments and other student fee revenues are forecast to meet plan. General fund expenditures through November totaled \$81.1 million or 37 percent of the original plan.

Regent Brandon said that in the Student Affairs committee meeting, the students were pleased with the current payment plan programs.

### **INFORMATION AND COMMUNICATIONS TECHNOLOGY INITIATIVE REPORT**

Connie Schaffer recommended that the report on the progress of ICT initiatives and the financial status report be accepted and placed on file. Schaffer reported that wireless installation is complete in Marshall building. Alexander and Porter are expected to be operational next week, and Quirk and Ford installations are on schedule and expected on line in early March. Approximately 65 percent of the buildings on campus are now wireless. Schaffer said planning for green space (outside) wireless is underway. The computer refresh project for fiscal 2006 is nearing completion and planning for fiscal year 2007 will begin in March. Schaffer reported that the ICT open lab in 327 Pray-Harrold opened the first day of winter semester, and monitoring indicates that it's been extremely busy. The Banner 7.0 upgrade was completed on November 21, and Banner 7.2 will be implemented in late February to address residual issues.

Schaffer reported that the Information Technology Fee task force reviewed the current five-year plan, which ends in June 2006, and recommended a three-year plan for FY 2007-2009. The five major recommendations put forth by the IT task force are (1) the ICT support positions should be removed from the tech fee and placed into the general fund. The general fund expenses for Banner system maintenance should be transferred to the tech fee; (2) The tech fee amount should remain at ten dollars per credit hour; (3) The tech fee plan should be a three-year plan, which is updated annually and reviewed by the UTAC committee; (4) The tech fee should continue to fund the expenses of continuing services such as the portal applications, infrastructure, computer refresh, and academic computing; (5) The tech fee should fund Academic Affairs initiatives and student initiatives, which would also be reviewed on an annual basis. Discussion developed around the issue of budget and cost of the investment in the proposed technology fee initiatives. Schaffer indicated that some of the recommendations are for ongoing initiatives and to bring the University's technology up to standard levels. Regents Incarnati and Rothwell recommended that the ICT department develop a benchmark against other universities to measure the University's technology needs, and subsequently prepare an overview of what needs to happen to achieve it. Regent Antonini asked that the ICT report be tabled until the Board/SOC workshop in February. Regent Valvo concurred.



### **STAFF APPOINTMENTS**

Craig Reidsma recommended that the Board approve 14 staff appointments for the reporting period of November 1, 2005 through December 31, 2005. Reidsma reported that of the 14 appointments, six (43 percent) are female, and eight (57 percent) are male. Demographics of the total group indicate 11 Caucasians (79 percent), two African American (14 percent), and one Asian (seven percent).

### **STAFF SEPARATIONS AND RETIREMENTS**

Craig Reidsma recommended that the Board approve nine separations and retirements for the reporting period November 1, 2005 through December 31, 2005. Reidsma reported that of the nine separations and retirements, eight (89 percent) are female and one (11 percent) are male. Demographics of the total group indicate six Caucasians (67 percent) and three African American (33 percent).

### **2004-05 FINANCIAL REPORT ON EMU CHARTER SCHOOLS**

Joe Pollack recommended that the Board accept the 2004-05 financial report of Eastern Michigan University's charter schools. Pollack explained that the University is an authorizing body and fiscal agent for the charter schools. The University receives over \$25 million from the state and distributes it to the schools. Pollack said the program does not cost the University any money – the University collects a 2.8 percent administrative fee. The Charter Schools program contributes 14 percent of their budget to the general fund. Pollack reported that Charter Schools has operated with a restricted fund balance of over \$0.5 million. The University returns about \$200,000 to the schools in direct aid, which funds grants for professional teacher development and testing. Pollack reported that all of the schools have maintained good fund balances, which are monitored by his office through quarterly reports from the schools. Pollack explained that he and his associate, Dr. Winborne, attend most of the monthly school board meetings. Pollack said that the school boards are encouraged to purchase their buildings when possible. The Charter Schools office reviews all leases and major contracts for the schools, and the minutes from the school board meetings are sent to the Charter Schools office.

### **STATE OF MICHIGAN COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) 2004-05**

Robb Rose from Plante and Moran recommended that the Board approve the 2004-005 State Of Michigan Comprehensive Annual Financial Report (CAFR). Rose said the CAFR, required by the State of Michigan for all component universities, restates the universities' audited financial statements into the appropriate format for inclusion in the state's financial reports. The auditors are also required to express an opinion on the validity and accuracy of the revised financial statements. Rose said there were no questions or issues concerning the revised financial statements for the University.

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**FILING OF WEMU FINANCIAL STATEMENT**

Robb Rose of Plante and Moran recommended that the Board receive and place on file the 2005 WEMU audit and the Corporation for Public Broadcasting Annual Financial Report, Schedule of Non-Federal Financial Support. Rose said Plante and Moran has completed the WEMU 2005 audit and issued an unqualified opinion, which is the highest level of assurance provided. There were no questions or issues that needed to be brought to the Board.

**FILING OF 2005 EXEMPT ORGANIZATION BUSINESS INCOME TAX RETURN (FORM 990T)**

Robb Rose of Plante and Moran recommended that the Board receive and place on file the 2005 Exempt Organization Business Income Tax Return Form 990 T. Rose said that Form 990T reports unrelated business income tied to the federal government. Rose reported that this year, as in years past, no tax was due as there was a loss on the underwritten business income in the current year. Steve Holda explained that Form 990T is required to be filed on behalf of the golf course and certain catering activities at the University.

**AMENDMENT TO AGREEMENT BETWEEN EMU AND THE EMU FOUNDATION**

Steve Holda recommended that the Board approve an amendment to the agreement between Eastern Michigan University and the Eastern Michigan University Foundation. The amendment extends the Tuition Waiver program to Eastern Michigan University Foundation employees, which was previously offered only to EMU employees.

**RESTRUCTURING GENERAL FUND SCHOLARSHIP PROGRAM**

Bernice Lindke recommended that the Board approve restructuring the general fund scholarship program to increase enrollment, improve retention, and increase net tuition revenue. Lindke reported that the restructuring is estimated to generate \$1.1 million in net tuition and fee revenue. The University recently finished a comprehensive study of the impact of scholarships and financial aid on enrollment decisions. The study identified a need to overhaul Eastern's scholarship program and strategically use scholarships and financial aid to help increase the size and academic quality of our entering classes, target limited resources to retain students at a higher level, and increase the total tuition revenue. Lindke said that the restructuring is planned for two phases. Phase I, effective for 2006-07, the University is requesting additional funding of \$654,000 for the 2006-07 general fund scholarships awards and grants program. Lindke said that the University is asking to eliminate three scholarship programs and redirect funding to a general achievement award and a need-based grant. The University is asking for approval of additional funding for the new Eagle Scholarship and Regents Gold awards. Lindke said the University is requesting approval to increase the Regent's Scholarship from \$2,600 to \$3,000; reduce the value of the Regents Recognition Of Excellence Scholarship to students who are granted waivers of the residence hall requirement; and add 50 Great Lakes Scholarships for international students; and begin awarding institutional aid as soon as students are admitted. For Phase II, effective for 2007 and 2008, the University will request approval to change the method of funding merit and need-



based institutional aid from a flat dollar amount to a tuition discount model. The Phase II proposal will be brought to the Board in March 2006.

**TIAA-CREF OPEN PLAN SOLUTIONS RECORD KEEPING SERVICES AGREEMENT**

Jeanette Hassan recommended that the Board approve the TIAA-CREF Open Plan Solutions Record Keeping Services Agreement And Custodial Account Agreements for the University's defined contribution retirement plan, tax-deferred annuity plan, and 457 b deferred compensation plan. Hassan explained that with the TIAA-CREF Open Plan Solutions is a new administrative platform allowing the University to automatically enroll participants into the retirement plan without having to complete an application. It will also provide compliance monitoring for 415 and 402(g) plan contribution limits, maintain participant termination dates, and offer enhanced reporting for plan administrative purposes. Hassan said the new objective advice and planning will provide our participants with fund specific recommendations through an association with a leading provider of independent investment advice. The open planned solutions will also enable the University to expand its retirement plan fund offering to include TIAA-CREF Lifecycle and other mutual funds. Hassan stated that there are no charges for the University for the open plan solution services. Any fee associated with the investment choices offered through the plan would be paid for by the participant.

**SUPPLEMENT TO THE RESOLUTION ADOPTED OCTOBER 21, 2005  
AUTHORIZING THE ISSUANCE AND DELIVERY OF GENERAL REVENUE BONDS  
AND OTHER MATTERS RELATED THERETO**

Steve Holda recommended that the Board approve a supplement to the resolution that was approved in October 2005, authorizing the University to refund a maximum of \$20 million in debt through the issuance of bonds. Holda said that shortly after the resolution was approved in October, the financial market changed in favor of the University so that additional debt can be refinanced and refunded at lower rates. The Supplement increases the maximum amount to be refinanced to no more than \$70 million of current University debt. Holda said the term of the debt will not be extended. He said it will be paid off in the same number of years. All savings from this refinancing of debt will be directed to the Mark Jefferson and Pray-Harold projects.