

**BOARD OF REGENTS**  
EASTERN MICHIGAN UNIVERSITY

SECTION: 17

DATE:

January 19, 2007

**RECOMMENDATION**

**MONTHLY REPORT - FINANCE, AUDIT AND INVESTMENT COMMITTEE**

**ACTION REQUESTED**

It is recommended that the Working Agenda for the January 19, 2007 meeting and the minutes for the November 14, 2006 Finance, Audit and Investment Committee meeting be received and placed on file.

**STAFF SUMMARY**

Regular Agenda items discussed at the November 14, 2006 Finance, Audit and Investment Committee were: Finance, Audit and Investment Committee Monthly Report; FY 2006 EMU Foundation Annual Report, Extension of the Agreement Between EMU and the EMU Foundation, and FY 2006 Eagle Crest Management Corporation Annual Report. Consent Agenda items discussed were: Treasurer's Report, Internal Audit Report, Grants/Contracts Report, Construction Projects Progress Report, Accounts Receivable Report, General Fund Interim Budget Status Report, Information and Communications Technology Initiatives Report, Staff Appointments, and Separations and Retirements.

**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, AUDIT AND INVESTMENT COMMITTEE MEETING**

January 19, 2007  
2:30 p.m.  
201 Welch Hall

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**FINANCE, AUDIT AND INVESTMENT 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 19: Finance, Audit and Investment Committee Monthly Report**  
Janice M. Stroh, Vice President for Business and Finance

**CONSENT AGENDA**

- Section 1: Treasurer's Report**  
Janice M. Stroh, Vice President for Business and 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**  
Michael Hague, Director, Student Business Services
- Section 6: Interim Budget Status Report**  
Vickie Bagherzadeh, 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 20: State of Michigan Comprehensive Annual Financial Report (CAFR) as of  
June 30, 2006**  
Dan Cooper, Assistant Vice President and Controller
- Section 21: Filing of FY 2006 WEMU-FM Financial Statement**  
Dan Cooper, Assistant Vice President and Controller

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- Section 22:**      **Filing of 2006 Exempt Organization Business Income Tax Return (Form 990T)**  
Dan Cooper, Assistant Vice President and Controller
- Section 23:**      **Mark Jefferson Science Complex - Use and Financing Statement**  
Janice M. Stroh, Vice President for Business and Finance

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

**MINUTES OF MEETING**

November 14, 2006

**Present:** J. Antonini, J. Brandon, F. Clack, P. Incarnati, S. Rothwell, T. Sidlik, K. Valvo, R. Wilbanks, and Steve Holda

**MONTHLY REPORT**

Steve Holda recommended that the working agenda for the November 14, 2006 Finance, Audit and Investment Committee meeting and the minutes for the September 19, 2006 Finance, Audit and Investment Committee meeting be received and placed on file.

**TREASURER'S REPORT**

Steve Holda recommended that the Treasurer's Report for the month of September 2006 be received and placed on file. Cash and investments totaled \$99,208,226 and were invested to return a total annualized return of 5.2890 percent. Holda stated that cash and investments (excluding bond proceeds) as of September 30, 2006 increased by \$7.8 million compared to September 2005. Holda stated the increase is due primarily to a decrease in planned expenditures.

**INTERNAL AUDIT REPORT**

Kirk Balcom of Rehmann Robson presented the internal audit activity report for the period September 2006 through November 2006. Balcom said the Regulatory Compliance internal audit report was issued and included findings and corresponding recommendations to improve controls. Balcom indicated that University management agrees with the recommendations and is proceeding to implement them. In addition, a report prepared by University management on the status of audit recommendations from previous audits (Employee Benefits, Equipment Inventory, Dining Services Inventory and Cash Disbursements, Catering Services Billings, Vending Operations, Payroll; and Financial Aid Scholarships, Awards and Grants) was included, and verified that most of the recommendations were either implemented, or are in the process of being implemented. Three recommendations need additional follow-up and will be presented in the audit status report for the period ending January 31, 2007.

**GRANTS AND CONTRACTS REPORT**

Brian Anderson recommended that 48 grants and contracts totaling \$1,621,579 for the period September 1, 2006 through October 31, 2006 be accepted. One-hundred percent sponsor-funded grants and contracts in the amount of \$1,404,120 were awarded during the period. Grants and contracts requiring EMU cost-sharing and/or in-kind contributions totaled \$217,459. Anderson said the University plans to explore incentives for faculty to develop proposals in targeted areas.

### **CONSTRUCTION PROJECTS PROGRESS REPORT**

Tony Catner and Larry Ward presented the Construction Projects Progress Report for the period ending September 30, 2006. Ward stated that current estimates for repairs on Bowen Field House are at \$1.5 million. He expects that the facility will be operational for the beginning of winter semester. Ward and Catner said that some improvements are being done to the Field House area while it is off-line. Steve Holda stated that the cost of the improvements is covered by the insurance settlement. Holda explained that the University is required to submit a Use and Financing Statement for the Bowen Field House project, which he expects to submit to the Board for approval at the January 2007 meeting. Holda indicated that Shirley Johnson's office and the Joint Capital Outlay Subcommittee are aware of the catastrophic nature of the damage, and advised the University to proceed with repairs.

### **ACCOUNTS RECEIVABLE REPORT**

Dan Cooper recommended that the Student Accounts Receivable Ratio Analysis, the Student Accounts Receivable Reports, and the Collection Agency Inventory as of September 30, 2006 be received and placed on file. Cooper reported that the net receivable balance for the reporting period is \$24.3 million or 30.85 percent of revenue as compared to \$28,829,000 or 37.20 percent of revenue as compared to September 30, 2005. This represents a 6.35 percent decrease in the net receivable balance from a year ago. Compared to the five-year average of 35.51 percent, the net receivable balance has decreased 4.66 percent. Cooper indicated that the reduction is a result of more aggressive collection efforts and write-offs. Regent Brandon stated that the Student Affairs committee has established a goal of improving financial literacy with the student community and hopes that they can partner with Student Business Services as they work to accomplish that effort. Steve Holda agreed and stated that the Business and Finance division will be presenting "Finance 101" in late November, the first of a series of presentations which will be open to students, faculty and staff.

### **FY 2007 GENERAL FUND INTERIM BUDGET STATUS REPORT**

Vickie Bagherzadeh recommended that the fiscal 2007 General Fund Interim Budget Status Report as of September 30, 2006 be received and placed on file. Bagherzadeh reported that general fund revenues for the reporting period total \$92.4 million, or 38 percent of planned revenues. State appropriations received to date total \$13,832,764. Combined enrollments total 267,622 student credit hours, which represents 98 percent of planned summer and fall enrollment. Bagherzadeh reported that other student fee revenues are expected to meet or exceed plan. General fund expenditures for the period total \$50.0 million, or 20 percent of the original plan. Expenditures are consistent with past levels and within the approved operating plan. Bagherzadeh stated that a slight reduction in revenue is expected due to an enrollment shortfall.

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

Connie Schaffer recommended that the progress report on the ICT initiatives be received and placed on file. Schaffer reported that nearly all classrooms are now “wireless”, and approximately 50 percent of administrative buildings have been installed with wireless technology. Voice-over IP was installed at the new Student Center in time for the opening on November 6. Schaffer reported that the PC refresh program is on track. It is expected that EMU will be considered a private network and therefore exempt from CALEA. Schaffer said the Banner 7.2/7.3 upgrade installation was successful. New technology projects include Pod-casting, Rave Wireless and Clickers.

### **STAFF APPOINTMENTS**

Craig Reidsma recommended that the Board approve 41 staff appointments for the reporting period of June 1, 2006 through October 23, 2006. Reidsma reported that of the 41 appointments, 54 percent are females and 46 percent are males. Demographics of the total appointees indicate 73 percent Caucasian, 22 percent African American, and five percent Hispanic.

Regent Wilbanks stated that he continues to have concerns about the appointment process, specifically where staff begin their employment several weeks before the Board formally approves their appointment, and indicated that the process calls for discussion at some point.

### **STAFF SEPARATIONS AND RETIREMENTS**

Craig Reidsma recommended that the Board approve 21 separations and retirements for the reporting period September 1, 2006 through October 23, 2006. Reidsma reported that, of the 21 separations and retirements, 57 percent were female and nine percent were male. Demographics of the total group indicate 72 percent Caucasian and 29 percent African American.

### **2005-06 EMU FOUNDATION ANNUAL REPORT**

Laura Wilbanks recommended that the Board receive and place on file the EMU Foundation Annual Report for the year ending June 30, 2006. Wilbanks stated that gifts for scholarships currently total \$2.2 million, and the endowment market value was \$44.8 million as of June 30, 2006. Total fundraising for the year, including cash and gifts-in-kind, was \$7.5 million – which is a new record for the Foundation. Cash gifts total \$6.3 million, versus \$4.8 million for the previous fiscal year. Expendable gifts total \$3.7 million, versus \$2.8 million for fiscal 2005. Wilbanks reported that the return on investments for fiscal 2006 was 11.6 percent, meeting the benchmark of 11.6 percent. Historical returns of 10 percent continue to exceed the benchmark of 9.2 percent. Wilbanks stated that Plante and Moran issued an unqualified opinion for the audited financial statements. The balance sheet indicates total assets at \$50.6 million, which is up from last year’s balance of \$45.5 million due primarily to the positive investment market. Net assets at fiscal year-end 2006 were \$47.1 million, up \$5.7 million from fiscal 2005.

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**EXTENSION OF AGREEMENT BETWEEN EMU AND THE EMU FOUNDATION**

Ken McKanders recommended that the Board approve a 55 month extension of the agreement between EMU and the EMU Foundation. The agreement expired on June 30, 2006. On July 21, 2006 the Board authorized an extension of the agreement through November 30, 2006. This recommendation extends the agreement from December 1, 2006 to June 30, 2011. Regent Antonini indicated that the Board discussed and agreed to the extension at the Pre-finance meeting earlier in the month.

**2005-06 EAGLE CREST MANAGEMENT CORPORATION ANNUAL REPORT**

Jim Zandee, Controller at Eagle Crest Management Corporation, recommended that the 2005-06 Eagle Crest Management Corporation (ECMC) Annual Report be received and placed on file. Zandee stated that ECMC is a wholly-owned for-profit subsidiary of the EMU Foundation, which provides management services for the University's golf course and conference center; and food and beverage services, media and business services, and housekeeping and maintenance services to the golf course and conference center. Zandee reported that ECMC returned a net profit of more than \$161,000 for the year ending June 30, 2006. The Eagle Crest Conference Center realized net earnings of over \$33,000 for the reporting period. The Eagle Crest Golf Club reported a net loss of \$243,000 for the reporting period ending June 30, 2006. Zandee noted that the Golf Club had a net income from operations of more than \$85,000 before the debt service of \$328,000. In addition, ECMC paid a dividend of \$20,000 to the EMU Foundation. The balance of its 2006 net earnings will be reinvested in capital improvements for the company as approved by its board of directors.