

**DELTA COLLEGE
BOARD OF TRUSTEES
DINNER MEETING
November 10, 2015
Delta College Planetarium**

Board Present: R. Emrich, D. Middleton, M. Morrissey, M. Nash, M. Rowley, E. Selby, D. Wacksman

Board Absent: K. Houston-Philpot, K. Lawrence-Webster

Others Present: J. Bamberg, R. Battinkoff, L. Brown, T. Brown, W. Burns, J. Carroll, P. Clark, A. Cramer, E. Crane, J. Dukes, M. Finney, A. French, J. Goodnow, L. Govitz, D. Hill, F. Hoffman, B. Kemmer, D. Lutz, D. Middleton, T. Moon, M. Mosqueda, M. Murray, T. Nadolski, K. Nelson, D. Peruski, D. Phelps, G. Przygocki, L. Ramseyer, A. Ursuy, B. Webb, S. Whitney

Press Present: J. Hall, WSGW; G. Horner, Delta Collegiate; K. Skrzypczak, Delta Collegiate

Board Chair M. Rowley called the meeting to order at 6:00 p.m.

The group then moved to the theater where K. Nelson, Director of Learning Centers, introduced, M. Murray, Astronomer and Planetarium/Learning Center Manager. M. Murray gave the Board a demonstration showcasing all the features that the Planetarium has to offer, including previews of several different shows.

D. Lutz began the presentation of the annual audit, by thanking her staff including A. Cramer, Senior Accountant, and S. Whitney, Controller, for all of their hard work. She then introduced Traci Moon of the audit firm, Andrews Hooper Pavlik PLC, who presented the results of the firm's audit for the fiscal year ending, June 30, 2015.

All of the audits were found to be unmodified and there were no exceptions, deficiencies or material weaknesses. The audits included the financial statements of Delta College, the Foundation, WDCQ-TV, WUCX-FM, and the OMB Circular A-133 Audit on Federal Expenditures.

T. Moon gave an overview of the operations results for the Fiscal Year 2015 which included:

- credit hour decrease of 10,600, causing a reduction in expenses, but a larger one to revenue;
- increases to salary and wages of about 1.7%;
- a \$4 million gift for the STEM Program;
- poor market performance in the investment portfolio; and
- completion of the Health Professions Building in FY 2014.

All of this resulted in an increase in net position of \$7.1 million, compared to FY 2014, \$7.6 million.

T. Moon also gave an overview of net position for Fiscal Year 2015 which included:

- a 4.2% increase in assets related to cash, short-term investments and pledges receivable;
- a 5.0% increase in current liabilities related to accounts payable; and
- adoption of GASB 68 resulting in long-term liabilities and deferred inflows of \$81.5 million and a reduction in net position of the same amount.

Overall, there was a negative balance of \$27.8 million as of June 30, 2015 compared to the prior year of \$49.7 million (before restatement) in the unrestricted net position.

Future audit and accounting standards that will affect Delta College include:

- GASB 72 – Fair Value Measurement and Application, Fiscal Year 2016;
- GASB 75 – Accounting and Financial Report for Postemployment Benefits other than Pensions, Fiscal Year 2018, which will require the college to record their portion of the liability for the health care through MPSERS; and
- FASN Current Project, Financial Statements of Not-for-Profit Entities with an unknown implementation date.

T. Moon noted that there were no difficulties encountered during the audit, no audit adjustments, no passed adjustments, no disagreements with management, and no management letter.

T. Moon provided comparison graphs showing general fund revenue sources and expenditures for the fiscal years ending in 2013, 2014 and 2015 and provided comparisons to Michigan community colleges of similar size. Delta College continues to collect slightly less tuition and expends a substantially greater proportion of its funds on instruction, compared to the group. The comparison group includes Grand Rapids, Henry Ford, Kalamazoo Valley, Mott, Schoolcraft, Washtenaw, and Wayne County as determined by the State.

T. Moon discussed the impact of GASB 68 to the college. This required Delta College to record a net pension liability of \$80.7 million; a deferred inflow of resources recorded of \$780,000; a reduction in pension expense of \$78,000; and a prior period reduction in unrestricted net position of \$81.6 million. This liability is a shared one and cannot be paid off early. It is paid off over time through the statutory required contributions. The numbers reported per GASB 68 requirements are not used for budgeting purposes.

GASB 68 does not affect our rating in regards to bonding. The rating agencies have been aware of the funding policies and status for governmental pension plans for years. This would be incorporated in their analysis. All 50 states have been affected by GASB 68 since they all have at least one retirement system for their employees. Under MPSERS, 693 units are effected which accounts for a total new pension liability of \$22.4 billion for the state. Delta's portion is .3% or \$80.7 million and is estimated to be paid off (fully funded) in 2027. Due to being part of

a cost-sharing pension plan, it is recognized as an obligation that the College has no control over.

There was also a single audit done as required on the federal money that the college receives. This is done in a separate statement for the federal expenditures which are mostly in financial aid however included were three other programs. There were no material weaknesses, significant deficiencies identified or issues of noncompliance.

There being no further business, the dinner meeting was adjourned at 6:58 p.m.

Talisa Brown, Assistant Board Secretary

Andrea Ursuy, Board Secretary