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**Delta College
Board of Trustees
Dinner Meeting
Virtually via Zoom (1-929-205-6099 Webinar ID: 826 5529 3386)
Held virtually in accordance with Public Act 228 of 2020 due to the COVID-19 Pandemic
November 17, 2020**

Board Present: M. Benecke, R. Emrich, K. Lawrence-Webster, D. Middleton, M. Nash, M. Rowley, M. Thomas

Board Absent: A. Buckley, S. Gannon

Others Present: D. Allen, N. Bovid, T. Brown, J. Carroll, P. Clark, E. Clement, A. Cramer, M. Crawmer, R. Curley, R. Curry, C. Curtis, S. DuFresne, D. Fairchild, J. Foco, P. Fox, J. Garn, J. Goodnow, L. Govitz, S. Harrison, S. Lewless, D. McQuiston, T. Moon, J. Mulders, S. Raube, K. Rishe, E. Roth, K. Schuler, G. Soule, S. Strobel, A. Ursuy

Press Present: None

Board Chair, D. Middleton read a meeting overview at 6:30 pm.

“Good evening,

This evening we will begin with our “dinner” informational meeting.

The Board is authorized to hold this virtual meeting with participation through the Zoom platform in compliance with the Michigan Open Meetings Act as amended (Public Act 228 of 2020).

Representatives from Andrews, Hooper and Pavlik will be presenting the audit.

For those joining us today, we want to ensure everyone can hear the board meeting. To minimize audio feedback, we ask all virtual participants mute and please do NOT use any speakerphone options.

Our Board Secretary, Andrea Ursuy, will take attendance immediately after I call the meeting to order. When she calls your name, please say “here” and announce the city, township, or village; county; and state from which you are attending the meeting remotely.

For those of you who plan to join us for our 7:00 p.m. Regular Board Meeting, we will use the same link for this meeting as well.”

Board Chair, D. Middleton called the meeting to order at 6:32 pm.

Board Secretary A. Ursuy took attendance. Each Trustee indicated their presence, township or city, and county of residence in Michigan from which they were participating in this meeting.

A. Buckley – Absent

M. Benecke – Present, Frankenlust Township, Bay County

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R. Emrich – Present, Saginaw Township, Saginaw County
S. Gannon – Absent
K. Lawrence-Webster – Joined meeting after attendance was taken
D. Middleton – Present, Williams Township, Bay County
M. Nash – Present, Larkin Township, Midland County
M. Rowley – Present, Hampton Township, Bay County
M. Thomas – Joined meeting after attendance was taken

Board Chair, D. Middleton turned the meeting over to Sarah DuFresne, Vice President of Business and Finance to present the FY 2019-2020 Financial Statements and Audit. S. DuFresne introduced Traci Moon and Greg Soule, partners with our auditing firm Andrews, Hooper and Pavlik, PLC. They presented the results of the firm's audit for the fiscal year ending June 30, 2020.

T. Moon thanked the finance staff along with the entire College for their cooperation with the audit. She gave an overview of the services provided which included the audits of Delta College, the Foundation, WDCQ-TV, and WUCX-FM which all received an unmodified opinion. The Uniform Guidance Audit of Federal Expenditures is still in process which is typical but this year had additional complexities.

T. Moon gave an overview of the operating results for the Fiscal Year 2020 which included fluctuations between 2019 and 2020 as follows:

- a decrease of 6% in operating revenue,
- a decrease of 3% in operating expense,
- a decrease of 8% in state operating appropriations,
- a new revenue of \$1.9 million in CARES Act revenue,
- a decrease of \$8.8 million in gift revenue, and
- a decrease of \$3 million in state capital appropriations.

All of this resulted in a net position of \$2.6 million compared to \$13.5 million in 2019. There were several things that accounted for the changes. The TV showed an increase in cash and investments of about \$1.5 million which was due to a Corporation for Public Broadcasting grant. There was a collection of a large estate gift during the year and also deferral of some tower lease revenues. The increase in net income is due to less expenses in 2020.

T. Moon also gave an overview of the net position for Fiscal Year 2020 which included:

- a \$8.3 million increase in cash and investments,
- a \$5.9 million decrease in state appropriation receivables (includes capital),
- a \$1.8 million decrease in pledges received,
- a \$5.0 million increase in capital assets,
- a \$2.3 million decrease in accrued payroll and other compensation, and
- a \$5.7 million increase in pension and OPEB net liabilities.

Overall, there was a negative balance of \$(51.5) million compared to the prior year of \$(50.2) million in the unrestricted net position.

Future audit and accounting standards that will affect Delta College include GASB 84, Fiduciary Activities, Fiscal Year 2021 and GASB 87, Leases, Fiscal Year 2022. Both have been delayed due to COVID. T. Moon and Delta's finance staff are already looking at GASB 84 and don't believe there will be a significant impact to the College. GASB 87 will also be reviewed as the College doesn't currently have any leases but the TV does have some tower leases.

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 2018, 2019 and 2020 and provided comparisons to all other Michigan community colleges. General fund revenues remained relatively similar to previous years except for the Personal Property Tax Loss Reimbursement. Delta College's instructional expense compared to total expenses continue to stay 9 to 10% higher than the average of the other Michigan community colleges.

Public service, information technology, instructional support, student services, institutional administration and plant operating expenses are very similar as in years past. Delta College's total expenses are very similar except for instruction where we are at 52% and the average for all the other Michigan community colleges is at 41%.

Delta received the following under the CARES Act:

- \$2.6 million in Higher Education Emergency Relief Fund – Student Funds (HEERF Student),
- \$2.6 million in Higher Education Emergency Relief Fund – Institutional Funds (HEERF Institution),
- \$252,000 in Title III Strengthening Institution Program (SIP),
- \$260,000 in pass through the Corporation of Public Broadcasting (CPB),
- \$1.7 million in Coronavirus Relief Funds (CRF), and
- (\$1.7) million of state operating appropriations

T. Moon then shared the revenues and expenses for each grant:

- **HEERF Student:** \$942,000 was given to students for expense incurred related to the disruption of campus operations due to COVID-19. An additional \$1.3 million was given to students since June 30, 2020 and there is \$0.4 million remaining to be distributed to students by April of 2021.
- **HEERF Institution:** \$307,000 in refunds to students for online fees, \$346,000 reimbursement to the College for wages to employees that were unable to work during the State's Stay-At-Home order and \$52,000 for indirect costs and other student expenses to facilitate distance learning. There is an additional \$1.9 million available for other COVID-19 expenses incurred through June 4, 2021.
- **SIP:** \$252,000 in reimbursement to the College for lost revenue related to the dining and fitness center due to their complete closure during the State's Stay-At-Home order.
- **CPB:** \$260,000 unrestricted grant to be used as the station deems necessary.
- **CRF:** \$1.7 million grant from the State. Occurred after year ended June 30, 2020 so no revenue recorded; revenue will be recorded in fiscal year 2021. Specific allowable expenditures, such as personal protective equipment, supplies needed for distance learning, etc. Cannot be used for normal operating expenses. Eligible expenses from March 1 through December 31, 2020. \$224,000 in expenses recorded in fiscal year 2020; revenue will be recorded in fiscal year 2021.
- **State Operating Appropriations:** Cut by \$1.7 million. No August payment was received and the College owed part of the July payment received back to the State. Revenue for fiscal year 2020 was \$1.7 million lower than budgeted. Fiscal year 2021 appropriations remained flat compared to original fiscal year 2020 appropriations.

T. Moon then discussed the Uniform Guidance Audit where a single audit is done on the federal money that the College receives, \$25.9 million. This is done in a separate statement for the federal expenditures regarding financial aid. There were no material weaknesses, and significant deficiencies

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identified. The CARES Act was a new program for the College and there were many complexities with the audit. Management spent countless hours trying to determine what was allowable and how to calculate amounts in accordance with the act. To this day, they continue to monitor the ever-changing rules and award grants to students on a weekly basis. The government has not issued final guidance for completing this audit and therefore an audit cannot be performed or an opinion issued on the Uniform Guidance.

During the prior year's student financial aid audit, there was one finding that was related to IT reporting in the Uniform Guidance report. T. Moon then turned the presentation over to Greg Soule, who is a partner in the Auburn Hills office and oversees the IT consulting practice. G. Soule noted that last year there was a new audit requirement related to securing student information. One of the pieces was having a formal risk assessment that identifies potential gaps in IT controls and then lining up existing controls to those gaps and looking for any areas where there could be issues. The College did not have a formal IT risk assessment last year so that was reported as a finding. Management formed a team consisting of IT, Ellucian and other individuals from within the College to develop a new procedure. They put together a IT risk assessment to identify any of those gaps and risks and aligned them with current IT controls with those potential risks to see if there were any areas that needed to be mitigated. Having this process does clear the finding.

Each year a high-level IT review is done as part of the financial statement audit reviewing different controls including organization, management of IT, IT operations and system monitoring, vulnerability, and management in terms of how you patch and secure your systems. Based on the high-level survey done, no areas were identified as requiring an audit response or recommendations.

There being no further business, the dinner meeting was adjourned at 7:09 pm.

Talisa Brown, Assistant Board Secretary

Andrea Ursuy, Board Secretary