Mott Community College
Board of Trustees

Regular Meeting
Monday, November 24, 2014
Room 1301
Regional Technology Center

AGENDA

The mission of Mott Community College is to provide high quality, accessible, and affordable educational opportunities and services that cultivate student success and individual development and improve the overall quality of life in a multicultural community.
AGENDA

I. CALL TO ORDER

II. ADDITIONS TO THE AGENDA

III. ADOPTION OF THE AGENDA

IV. SPECIAL PRESENTATIONS
   Professional Development Update
   - Dr. Amy Fugate, Vice-President, Academic Affairs

   FY 2013-2014 Audit Report
   - Larry Gawthrop, Chief Financial Officer

V. COMMUNICATIONS

VI. COMMENTS FROM THE PUBLIC

VII. APPROVAL OF MINUTES

   Approval of Regular Meeting Minutes of October 27, 2014 272-272g

VIII. INFORMATIONAL REPORTS

   Acceptance of Standing Board Committee Reports:
   1. Personnel (Joseph, Norwood, Turner)
   2. Finance/Audit (Koegel, Freeman, Snell)

IX. UNFINISHED BUSINESS

   1.58 Amendment to Board Policy 3100 (Budget Adoption) 292-293
   1.59 Amendment to Board Policy 3431 (Audits) 294-296

X. NEW BUSINESS

   Consent Agenda:
   1.60 Treasurer’s Report for October 2014 297-302
   1.61 Receiving of Audit for FY 2013-2014 303

   Individual Items:
   1.62 Lapeer Data Center Renovation Project 304-305
XI. ADMINISTRATIVE ITEMS

President’s Report

XII. MISCELLANEOUS BUSINESS

Comments from Board Members

XIII. EXECUTIVE SESSION

ADJOURNMENT
FOR ACTION

Board of Trustees
Charles Stewart Mott Community College
Regular Meeting, October 27, 2014
Volume 45

1.58 Amendment to Board Policy 3100 (Budget Adoption)

Under current Board Policy 3100 (Budget Adoption), the College is required, in part, to adopt a balanced budget in June of each year and revise as needed, but not less than twice per year, in January and June.

It has been determined through a test period over the past two years that the budget amendment process, when occurring in February instead of January, provides a more reliable estimate since the enrollment numbers for the Winter term are finalized rather than estimated. Enrollment numbers not only provide a substantial part of our revenues but also affect expenses considerably especially in the areas of part-time/adjunct and faculty overload compensation categories.

On the basis of the preceding information, the following resolution is recommended.

Be it Resolved, That

The Charles Stewart Mott Community College Board of Trustees

Amends Board Policy 3100, as outlined on page 293.

(Additions are denoted by boldface, deletions are denoted by strikethrough.)

Reviewed and Submitted By:

______________________________
Date: October 27, 2014

Lawrence A. Gawthrop
Chief Financial Officer

Board Policy Statement Reference: 1800 – Policy Development
General: The Board shall review its policies and shall delete, amend, and supplement existing policies, and/or adopt new policies, as necessary.
Budget Adoption

General: The annual budget represents the programmatic direction and vision of the College. It is also designed to meet both the legal requirements and needs of the College.

The following policy statements apply:

1. Prior to the end of each fiscal year, the Board will adopt a balanced General Fund Operating Budget, and other fund budgets as appropriate, to the end of the current fiscal year, in accordance with the Uniform Budgeting and Accounting Act of 1968, as amended from time to time.
2. The President is responsible for the overall budgeting process and the budget recommendations to the Board.
3. Budget revisions will be presented for Board action as necessary, but not less than twice a year, in February and June.
4. Budget line items for personnel will be based on the Table of Authorized Positions and staffing allocations approved by the Board for the current budget year.
5. The Finance/Audit Committee must receive and review budget reports on a monthly basis.

LEGAL REF:  MCL 389.141, as amended

Approved:  September 30, 1996
Revised: April 24, 2000
Reviewed: February 16, 2009
Approved: April 27, 2009
FOR ACTION

Board of Trustees
Charles Stewart Mott Community College
Regular Meeting, October 27, 2014
Volume 45

1.59 Amendment to Board Policy 3431 (Audits)

Mott Community College (MCC), although not legally required, has implemented where appropriate the “best practices” of the Sarbanes Oxley (SOX) regulations promulgated through the Securities and Exchanges Commission (SEC). These best practices cover many financial processes and internal controls over financial reporting. All publicly traded companies are required to follow these enhanced rules.

One area where best practices are applicable for MCC is in the area of financial statement audits and partner rotation. The current policy #3431 (Audits) statement number 5 reads:

5. Ensure proper rotation of the lead audit partner of the independent audit firm. The lead partner must be rotated every three years, with a timeout of two years. (totaling five years)

The SOX requirement for audit partner rotation is covered in Section 203 and reads in part:

Section 10A of the Securities Exchange Act of 1934, as amended by this Act, is amended by adding at the end the following:

“(j) Audit Partner Rotation.—It shall be unlawful for a registered public accounting firm to provide audit services to an issuer if the lead (or coordinating) audit partner (having primary responsibility for the audit), or the audit partner responsible for reviewing the audit, has performed audit services for that issuer in each of the 5 previous fiscal years of that issuer.”

On the basis of the preceding information supporting the compliance with the Sarbanes Oxley best practices in the area of the Audit partner rotation, the following resolution is recommended.

Be it Resolved, That

The Charles Stewart Mott Community College Board of Trustees

Amends Board Policy 3431, as outlined on pages 295-296.  
(Additions are denoted by boldface, deletions are denoted by strikethrough.)

Reviewed and Submitted By:

____________________________
Lawrence A. Gawthrop
Chief Financial Officer

Date: October 27, 2014
General: The purpose of this policy is to provide adequate authority for a strong, competent and vigilant Finance/Audit Committee ("the Committee") to assist the Board in fulfilling its fiscal oversight responsibilities relating to: the integrity of the College’s financial statements, the independence and performance of external and internal audit functions, the College’s financial and accounting practices, the College’s compliance with legal and regulatory requirements, and standards of conduct. The Committee serves as the Board’s liaison with any external auditors.

The following policy statements apply:

Membership

1. The Committee will consist of the members of the Finance/Audit Committee. Committee members must be free of any financial or personal relationship that could impair the member’s independence. Members of the Committee must not receive consulting, advisory, or other fees from the College, contractors, or vendors.

2. At least one member of the Committee must have an interest in College finances and should possess knowledge of public finance or have experience with private business finance, non-profit business experience, or complete Board development programs in finance. If the committee believes that it needs assistance to meet this standard, it is authorized to appoint a qualified, non-voting person to provide the desired assistance.

Duties/Responsibilities

The following are the principal duties and responsibilities of the Finance/Audit Committee:

1. Recommend a qualified independent auditor to the Board for approval. The recommendation will be based on a periodic review of the auditor’s performance. The President and Administration are directed to cooperate with the Committee and independent auditors, and to assist the committee in evaluating potential auditors and preparing a recommendation to the Board.

2. Be responsible for the oversight of the College’s independent external auditor.

3. Oversee and ensure independence of external auditors and audit decisions. The Committee will require disclosure of any financial or business connections to Board members or College administrators.

4. Pre-approve all audit services provided by the independent external auditor. The independent external auditor is prohibited from performing any non-audit service or any College management function. Should extenuating circumstances exist allowing performance of non-audit services by the independent external auditor, pre-approval of the services by the Committee will be required.

5. **Ensure proper rotating of the lead (or coordinating) audit partner (having primary responsibility for the audit), or the audit partner responsible for reviewing the audit, has not performed audit services for the College in each of the 5 (five) previous fiscal years.**
Ensure proper rotation of the lead audit partner of the independent audit firm. The lead partner must be rotated every three years, with a timeout of two years.

6. Review the financial statements, adequacy of internal controls, and findings with the independent auditor(s). The Administration will provide a report to the Finance/Audit Committee regarding these reviews.

7. Ensure that the College’s senior financial management complies with internal control procedures and determine whether recommendations made by the independent auditor(s) have been pursued and/or implemented by the College.

8. Ensure that the College President and CFO have certified that they have reviewed the College’s financial statements and, to the best of their knowledge, the statements contain no material misstatements or omissions.

9. Incorporate an employee complaint mechanism in Section 5000. The committee will periodically review the policy.

10. Ensure that the audit is completed annually as required by MCL 389.143.

11. Appear with the auditor at a public Board meeting to review the audit and management letter and make any appropriate recommendations.

12. Periodically review the College’s accounting principles and adequacy of controls.

The Committee will comply with this policy and other policies/bylaws.

LEGAL REF:  MCL 389.143

Approved:   September 30, 1996
Revised:     April 24, 2000
Reviewed:    March 9, 2009
Approved:   April 27, 2009
1.60  Treasurer’s Report for October 2014

This resolution is recommended.

Be it Resolved, That

The Charles Stewart Mott Community College Board of Trustees

Accepts the financial report of the College for the month of October 2014 as presented by the Administration.

Reviewed and Submitted By:

Lawrence A. Gawthrop  
Chief Financial Officer

Date: November 24, 2014

Board Policy Statement Reference: 3100 – Budget Adoption
General: The annual budget represents the programmatic direction and vision of the College. It is also designed to meet both the legal requirements and needs of the College.
October Treasurer’s Report

Larry Gawthrop, CPA
Chief Financial Officer

November 24, 2014

Summary of Expenditures:

Month of October Spending:

<table>
<thead>
<tr>
<th>Fund Type</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>$8,350,423</td>
</tr>
<tr>
<td>All Other Funds</td>
<td>$13,339,615</td>
</tr>
<tr>
<td>Total</td>
<td>$21,690,038</td>
</tr>
</tbody>
</table>

Comments on General Fund Financial Statements:

- **Statement of Revenues, Expenditures and Changes in Net Assets**

  In summary, total revenues for the four months ended October 31, was approximately $25.4 million, representing 33.7% of the annual budget, the same budget percentage as last year. The most significant changes are in the *Tuition and fees* and *Property taxes* which are discussed further below. Expenditures for the four months ended were $23.9 million, which represents 31.6% of the annual budget, 4.7% higher than it was one year ago, mainly due to the fact that there were three payrolls in this month.

  **Revenues**

  *Tuition and fees* revenues are $15.6 million and while it is roughly $171 thousand more than last year, it is 1.4% lower than compared to initial projections. This is attributable to the fall enrollment being less than originally budgeted. While there are still some mid and late term classes starting, a budget amendment will likely be necessary in February.

  *Property taxes* collected are roughly $6.9 million. The amount budgeted is $17.3 million, the same as it was in the 2013-2014 fiscal year and is based on final taxable value figures provided by the Genesee County Equalization Department.

  *State appropriations* payments for FY 2014-15 are paid in eleven monthly installments starting with October. The total budgeted amount for the current fiscal year is $15.7 million or roughly $400 thousand (2.7%) more than last year excluding the UAAL stabilization pass-through. We received our first installment totaling just over 1.4 million.
Expenditures

Salaries and Wages are nearly $11.6 million, or 28.9% of the annual budget, 2.8% higher than it was one year ago, compared to 26.1% of the budget one year ago. The increase is attributable to October having three pays where this occurred in November of last year. Prior to this month, our percentage of budget was ahead of last year due to running less sections in response to the lower enrollment.

Fringe Benefits are at $5.2 million, or 29.7% of the budgeted amount compared to 24.7% of the budget one year ago. Fringes are directly related to compensation and therefore the reasoning for the increased budget percentage in Salaries and Wages as discussed previously is the same for Fringe Benefits.

Other Expenditures
A majority of the changes in the Other Expenses area for October are due in large part to timing differences of invoices from receipt and vouchering of invoices from last year as well as a change in the recognition of prepaids from monthly to once a year. In addition, there was an increase in the operations and communications line from an increase in the monthly bad debt allowance. Finally, the transfers were made earlier in this year when compared to the previous year.

- Balance Sheet

Total Assets are at approximately $22.5 million, down $4 million from last October. The largest differences are a $4.7 million decrease in Cash and cash equivalents, a $260 thousand increase in Due from other funds and a $1.1 million increase in Accounts receivable. The Accounts receivable increase is due to an internal change in applying aid to student’s accounts for late start and second half classes totaling approximately $520 thousand. This change was necessary to avoid confusion to students requesting refunds early.

Due to/Due from Other Funds The College maintains one checking account for all of its funds; deposits and disbursements. This necessitates the short-term “loaning” or “borrowing” between the funds throughout the year depending on which funds revenue or expenditures are being deposited or paid out. Each month the accounting department clears these “due to’s” and “due from’s” respectively assigning the activity to the proper fund. However, significant activity can occur after these transfers are completed, causing large variances when compared to the previous period.

At roughly $14.6 million, Total Liabilities are approximately $181 thousand lower than the prior year. The most significant changes were decreases in Accounts payable and Other accrued liabilities and an increase in Accrued payroll and related liabilities. These were the effects of timing differences in payments from the prior year, a timing difference in the month that the one of the three payroll months fell and overall reduction in the valuation we recorded for past property tax refund obligations.
Comments on spending from other funds:

- Of the roughly $13.4 million expended in the other funds, just over $1 million was expended out of the debt retirement funds for our scheduled interest and principal payments on our outstanding bonds, $140 thousand was expended out of the Maintenance and Replacement Funds for maintenance and improvements, $169 thousand from the Bond funds, and the remaining $12.1 million out of the Agency, Scholarships, and Federal Grants, for grant activities and student scholarships.
## Mott Community College
### General Fund
### Statement of Revenues, Expenditures and Changes in Net Assets - Modified Accrual
### For the 4 Months Ended October 31, 2014
### With Comparative Totals at October 31, 2013

<table>
<thead>
<tr>
<th>Revenues:</th>
<th>FY 2014-2015</th>
<th>YTD Actuals as of 10/31/14</th>
<th>YTD Actuals as of 10/31/13</th>
<th>Actual to Actual $</th>
<th>Actual to Actual %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tuition and fees</td>
<td>$38,177,492</td>
<td>$15,631,338</td>
<td>$15,459,841</td>
<td>$171,497</td>
<td>1.11%</td>
</tr>
<tr>
<td>Property taxes</td>
<td>17,338,093</td>
<td>6,947,761</td>
<td>7,077,250</td>
<td>(129,489)</td>
<td>-1.83%</td>
</tr>
<tr>
<td>State appropriations</td>
<td>15,736,817</td>
<td>1,466,776</td>
<td>1,440,024</td>
<td>26,752</td>
<td>1.86%</td>
</tr>
<tr>
<td>Ballenger trust</td>
<td>1,815,763</td>
<td>630,482</td>
<td>588,588</td>
<td>41,894</td>
<td>7.12%</td>
</tr>
<tr>
<td>Grants and other</td>
<td>2,362,191</td>
<td>743,593</td>
<td>745,368</td>
<td>(1,775)</td>
<td>-0.24%</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>75,430,356</td>
<td>25,419,950</td>
<td>25,311,071</td>
<td>108,879</td>
<td>0.43%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenditures:</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and wages</td>
<td>40,310,719</td>
<td>11,637,610</td>
<td>10,412,222</td>
<td>(1,225,388)</td>
<td>-11.77%</td>
</tr>
<tr>
<td>Fringe benefits</td>
<td>17,608,243</td>
<td>5,228,870</td>
<td>4,589,631</td>
<td>(639,239)</td>
<td>-13.93%</td>
</tr>
<tr>
<td>Contracted services</td>
<td>5,131,756</td>
<td>1,589,310</td>
<td>1,359,751</td>
<td>(229,559)</td>
<td>-16.88%</td>
</tr>
<tr>
<td>Materials and supplies</td>
<td>2,126,599</td>
<td>667,362</td>
<td>535,328</td>
<td>(132,034)</td>
<td>-24.66%</td>
</tr>
<tr>
<td>Facilities rent</td>
<td>205,400</td>
<td>73,470</td>
<td>70,591</td>
<td>(2,879)</td>
<td>-4.08%</td>
</tr>
<tr>
<td>Utilities and insurance</td>
<td>2,938,000</td>
<td>1,198,193</td>
<td>1,173,774</td>
<td>(24,419)</td>
<td>-2.08%</td>
</tr>
<tr>
<td>Operations/communications</td>
<td>5,284,424</td>
<td>2,417,580</td>
<td>2,003,474</td>
<td>(414,106)</td>
<td>-20.67%</td>
</tr>
<tr>
<td>Transfers out</td>
<td>1,453,100</td>
<td>961,606</td>
<td>-</td>
<td>(961,606)</td>
<td>#DIV/0!</td>
</tr>
<tr>
<td>Equipment and Improvements</td>
<td>366,500</td>
<td>88,331</td>
<td>78,241</td>
<td>(10,090)</td>
<td>-12.90%</td>
</tr>
<tr>
<td><strong>Total expenditures</strong></td>
<td>75,424,741</td>
<td>23,862,332</td>
<td>20,223,012</td>
<td>(3,639,320)</td>
<td>-18.00%</td>
</tr>
</tbody>
</table>

| Net increase/(decrease) in net assets | 5,615 | 1,557,618 | 5,088,059 | (3,530,441) | -69.39% |
### Assets

#### Current Assets
- **Cash and cash equivalents**
  - 2014: $9,345,390
  - 2013: $14,034,976
  - Change: $(4,689,586)
- **Due from other funds**
  - 2014: 10,850,142
  - 2013: 11,111,124
  - Change: $(260,982)
- **Accounts receivable - net of allowance**
  - (including $4,074,468 for 2015 and $5,627,075 for 2014)
  - 2014: 2,047,917
  - 2013: 918,740
  - Change: $1,129,177
- **Inventories**
  - 2014: 48,024
  - 2013: 44,069
  - Change: $3,955
- **Prepaid expenses and other assets**
  - 2014: 172,568
  - 2013: 359,829
  - Change: $(187,261)

#### Total Assets
- 2014: $22,464,041
- 2013: $26,468,738
- Change: $(4,004,697)

### Liabilities and Net Assets

#### Current Liabilities
- **Accounts payable**
  - 2014: $9,746,637
  - 2013: $10,153,471
  - Change: $(406,834)
- **Accrued payroll and related liabilities**
  - 2014: 2,277,094
  - 2013: 1,579,111
  - Change: $697,983
- **Deposits held for others**
  - 2014: 15,312
  - 2013: 14,561
  - Change: $751
- **Other accrued liabilities**
  - 2014: 151,457
  - 2013: 540,536
  - Change: $(389,079)

#### Total Current Liabilities
- 2014: 12,190,500
- 2013: 12,287,679
- Change: $(97,179)

#### Accrued termination pay
- 2014: 2,428,043
- 2013: 2,511,839
- Change: $(83,796)

#### Total Liabilities
- 2014: 14,618,543
- 2013: 14,799,518
- Change: $(180,975)

#### Net Assets
- **Unrestricted**
  - 2014: 7,845,498
  - 2013: 11,669,220
  - Change: $(3,823,722)

#### Total Net Assets
- 2014: 7,845,498
- 2013: 11,669,220
- Change: $(3,823,722)

#### Total Liabilities and Net Assets
- 2014: $22,464,041
- 2013: $26,468,738
- Change: $(4,004,697)
FOR ACTION

Board of Trustees
Charles Stewart Mott Community College
Regular Meeting, November 24, 2014
Volume 45

1.61 Receiving of Audit for Fiscal Year 2013-2014

Section 389.143 of the Community College Act of 1966 provides that the fiscal accounts of the College shall be audited yearly by a certified public accountant in good standing and licensed to practice in the state of Michigan. In compliance with this law, the annual audit of Mott Community College’s financial records for the fiscal year ended June 30, 2014 as performed by Rehmann Robson has now been completed.

Audited Financial Statements have been issued, along with the independent opinion of the auditors that the statements present fairly, in all material respects, the financial position of the College for the year ended June 30, 2014.

On the basis of the proceeding information, the following resolution is recommended.

Be it Resolved, That

The Charles Stewart Mott Community College Board of Trustees

Receives the 2013-2014 audit as issued by Rehmann Robson.

Reviewed and Submitted By:

[Signature]
Lawrence A. Gawthrop
Chief Financial Officer

Date: November 24, 2014

Board Policy Statement Reference: 3431 - Audits

General: The purpose of this policy is to provide adequate authority for a strong, competent and vigilant Finance/Audit Committee ("the Committee") to assist the Board in fulfilling its fiscal oversight responsibilities relating to: the integrity of the College's financial statements, the independence and performance of external and internal audit functions, the College's financial and accounting practices, the College's compliance with legal and regulatory requirements, and standards of conduct. The Committee serves as the Board’s liaison with any external auditors.
1.62 **Lapeer Data Center Renovation Project**

Mott Community College (MCC) will be renovating a vacant storage area at the Lapeer Extension Center to construct a data center to act as an emergency back-up to the primary data center located on the Flint campus. MCC currently does not have a back-up data center; in the event that the primary data center becomes inoperable, almost all services provided by Information Technology Services (ITS) would cease including core academic systems such as Blackboard and administrative systems such as Ellucian (Datatel). This renovation will allow ITS to quickly resume core computer services should the primary data center suffer a catastrophic failure. Plans and specifications for this project were prepared by Peter Basso Associates Inc. The invitation to bid was placed at www.bid4michigan.com on October 8, 2014 soliciting qualified bidders for the project. Sealed bids were received on October 28, 2014 from four (4) vendors. Bids received are noted on the attached bid tabulation. Public funds through voter approved bond issuance will be used to fund this project.

On the basis of the preceding information, the following resolution is recommended:

Be it Resolved, That

The Charles Stewart Mott Community College Board of Trustees

Authorizes the Administration to award the bid and enter into a contract for the Lapeer Data Center Renovation to Case Construction, 6235 Corunna Road, Flint, Michigan 48532, in the amount of $590,885.20 [five hundred ninety thousand eight hundred eighty-five dollars and twenty cents].

Reviewed and Submitted By:

[Signature]
Dr. Amy Fugate
Vice-President, Academic Affairs

Board Policy Statement Reference: 4410 – Purchasing
General: Purchases should be based on quality and price. Qualified vendors should have the opportunity to bid on College purchases. This policy is established to ensure that sound business practices are followed in the purchase of furnishings, equipment, materials, goods and supplies.
<table>
<thead>
<tr>
<th>Vendor</th>
<th>Bid</th>
</tr>
</thead>
<tbody>
<tr>
<td>Case Construction</td>
<td>$590,885.20</td>
</tr>
<tr>
<td>6235 Corunna Rd</td>
<td></td>
</tr>
<tr>
<td>Flint, MI 48532</td>
<td></td>
</tr>
<tr>
<td>J Perez Construction Inc.</td>
<td>$611,370.00</td>
</tr>
<tr>
<td>2232 Davison Rd</td>
<td></td>
</tr>
<tr>
<td>Flint, MI 48506</td>
<td></td>
</tr>
<tr>
<td>E &amp; L Construction</td>
<td>$618,256.00</td>
</tr>
<tr>
<td>2830 Lippincott Blvd</td>
<td></td>
</tr>
<tr>
<td>Flint, MI 48501</td>
<td></td>
</tr>
<tr>
<td>ATI Group</td>
<td>$723,803.80</td>
</tr>
<tr>
<td>3419 Pierson Place</td>
<td></td>
</tr>
<tr>
<td>Flushing, MI 48433</td>
<td></td>
</tr>
</tbody>
</table>
President’s Report  
Regular Board of Trustees Meeting  
November 24, 2014

1. Executive Summary

2. Introduction of New Hires

3. Upcoming Dates:

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November 27-28, 2014  College Closed for Thanksgiving Holiday
December 10, 2014  Finance/Audit Committee @ 12:00 noon, CM1019  
Personnel Committee @ 4:00 p.m., CM1019
December 15, 2014  Regular Board Meeting – Regional Technology Center  
5:45 p.m. dinner; 6:30 p.m. workshop; 7:30 p.m. meeting
December 24 – January 5  College Closed for Winter Break
January 15, 2015  MLK Tribute Dinner, 6:00 p.m., Riverfront Banquet Center
January 19, 2015  College Closed for MLK Day
January 21, 2015  Finance/Audit Committee @ 12:00 noon, CM1019  
Personnel Committee @ 4:00 p.m., CM1019
January 26, 2015  Regular Board Meeting – Regional Technology Center  
5:45 p.m. dinner; 6:30 p.m. workshop; 7:30 p.m. meeting