

REPORT OF MINUTES
BOARD OF TRUSTEES
SPECIAL BOARD MEETING

BAY de NOC COMMUNITY COLLEGE
Catherine Bonifas Board Room (201D)
Escanaba, MI

November 7, 2018

The meeting was called to order at 5 p.m. ET by Board Chair, Joy Hopkins.

Roll call was taken by Assistant Board Secretary, Laura Johnson.

Board Members Present: Eric Lundin, Tom Butch, Bill Lake, Philip Strom,
Terri Mileski, Steve Davis, Joy Hopkins

Board Members Absent: None

Administration: Laura Coleman, Eileen Sparpana, Ann Valiquette

Guests: Steve Peacock, Rehmann Robson, LLC
Josh Sullivan, Rehmann Robson, LLC
Jordan Beck, *Daily Press*

Recorder: Laura Johnson, Assistant Board Secretary

Joy Hopkins stated the meeting was called to receive the College audit reports for the Years Ended June 30, 2018 and 2017.

The meeting was turned over to Steve Peacock and Josh Sullivan from the audit firm, Rehmann Robson, LLC to review the audit report documents.

Steve Peacock stated the College received an unmodified or clean opinion, which is the highest level of assurance that can be placed on financial statements.

Financial Statements

Statements of Net Position:

- Total assets were down approximately \$1 million from the prior year due to accumulated depreciation.

- Total net position was recorded at \$6.1 million for 2018 compared to \$10.7 million in 2017. An adjustment of \$4.8 million was made at the beginning of the year to record the increased OPEB liabilities resulting in the increase of noncurrent liabilities of \$14.5 million in 2017 to \$19.5 million in 2018. The adjustment was based on projections by state actuaries.

- As of July 1, 2017, the College had to adopt GASB 75 for (OPEB) Other Post-Employment Benefits (other than pensions). OPEB is principally MPSEs health insurance.

The College must recognize a net OPEB liability on the statement of net position, equal to the College's proportionate share of the net OPEB liability of MPSEs, as defined and calculated under the new standard. The College's proportion of the OPEB liability is 0.05641%.

Trustees discussed how the change in net position affects the College's credit rating with Steve and Josh. The Standard & Poor bond raters treat educational institutions as governmental or separate entities when looking at creditworthiness due to disclosing OPEB, so it is not calculated in the rating.

Statements of Cash Flows:

- No new debt was incurred during the year resulting in the purchase of capital assets around \$1 million compared to \$4 million the prior year.
- Net increase in cash of \$48,100 was recorded for 2018 compared to the decline of \$2.5 million last year.

The agreement with the Hannahville Indian Community for \$3 million for the athletic addition and remodel was noted as a subsequent event.

Bay College West:

- No significant changes were noted for the west campus financial position. Net position increased from \$89,206 in 2017 to \$121,374 in 2018.

Steve Peacock responded to a question about how to best understand the College's financial strength that prior to pension and OPEB liability reporting requirements, the Statement of Net Position was the benchmark. Now, he advises referring to the Combining Statement of Net Position which breaks out segregated fund balances. He told trustees that Bay is very comparable to other colleges and he would give the College an "A" for financial health.

College Financial Ratios

Eileen Sparpana, VP of Finance, reviewed the financial ratios from 2017 to 2018 (attached):

- The Composite Financial Index (CFI) is the ratio reviewed each year by the Higher Learning Commission to maintain accreditation. The ratio remained unchanged from 2017 at 2.01.

- The Primary Reserve Ratio, Net Operating Revenue Ratio, Return on Net Assets Ratio and Viability Ratio are used to calculate the CFI.
- All ratios improved for 2018 except the Net Operating Revenue Ratio which declined to 0.016 and should be around 0.020. This ratio measures the ability to generate income on revenue. The ratio was at 0.047 last year which was very good.
- The Primary Reserve Ratio at 0.336 improved from last year but should be at 0.400 which equates to approximately 140 days or one semester of operating expenses. This ratio measures unrestricted net reserves or the ability to pay bills and is related to cash on hand.
- The Return on Net Assets Ratio at 0.042 improved from last year; however, the goal is to increase it to around 0.060.
- The Viability Ratio relates to the ability to pay debt. The ratio at 0.0698 improved but it would be better to increase it around 1.25. Dr. Coleman shared that the revenue from the Dickinson County millage cannot be used in the calculation because the funds do not come directly to the College. The tax revenue is paid to the College from the Dickinson County Board of Commissioners. This also reduces the College's borrowing capacity.
- The Equity Ratio at 0.643 also improved from last year.
- The Days Cash on Hand Ratio went down from 109 in 2017 to 106 in 2018. The recommendation is to have 140 days cash on hand.

Josh Sullivan shared an upcoming pronouncement to take effect in 2021 that will establish a single model for reporting all leases including those previously classified as operating and capital on our balance sheet.

Single Audit Act Compliance

A clean audit opinion was given based on no findings for the Single Audit for the Year Ended 2018. This audit tests the almost \$6.6 million expended on behalf of the federal government for financial aid programs.

Steve and Josh stated that the College staff is outstanding and very responsive to their requests. Their work leads to a clean audit.

Trustees acknowledged and thanked the Business Office staff for their efforts.

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On a motion made by Tom Butch and seconded by Bill Lake:

“The College Audit Reports and Report to Management for the years ended June 30, 2018 and 2017, were accepted and placed on file.” No further discussion. Motion carried unanimously.

On a motion by Phil Strom and seconded by Eric Lundin:

“The meeting was adjourned.” Motion carried unanimously. The meeting adjourned at 5:49 p.m. ET.

	11/08/2018	
Laura L. Johnson Assistant Board Secretary	Completion Date	Approval Date

Joy E. Hopkins Board Chair		Approval Date
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Bay College Financial Ratios		
	2018	2017
Composite Financial Index	2.01	2.01
Primary Reserve Ratio	0.336	0.302
Net Operating Revenue Ratio	0.016	0.047
Return on Net Assets Ratio	0.042	0.036
Viability Ratio	0.698	0.581
Equity Ratio	0.643	0.629
Days cash on hand	106	109