

REPORT OF MEETING MINUTES

BOARD OF TRUSTEES SPECIAL MEETING

BAY de NOC COMMUNITY COLLEGE
Besse Center Auditorium
Escanaba, MI

November 10, 2021

The meeting was called to order at 4 p.m. ET by Board Chair Steve Davis.

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

Board Members Present: Joy Hopkins, Nick Chenier, Terri Mileski, Steve Davis

Board Members Absent: Jeremy Nastoff, Eric Lundin, Tom Butch

Administration: Laura Coleman, Eileen Sparpana, Ann Valiquette & Lynn Martinson

Guests: Steve Peacock, Rehmann Robson, LLC
Josh Sullivan, Rehmann Robson, LLC

Recorder: Laura Johnson, Assistant Board Secretary

Steve Davis stated the meeting was called to receive the College audit reports for the Years Ended June 30, 2021 and 2020.

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 summarized the Independent Auditors' Report and reported the College received an unmodified or clean opinion, which is the highest assurance of financial statements possible.

Josh Sullivan reviewed the financial statements prepared by the College Administration.

Statements of Net Position (Balance Sheet):

- Total current assets were up \$2.8 million year over year mostly in cash and state appropriations receivable. There was a cut in state appropriations last year and this year's appropriations were more in line.
- Noncurrent assets were up slightly due to the increase in capital assets for new projects on campus.
- Total assets were up \$4 million.
- Noncurrent liabilities had a drop of almost \$2 million in net pension and OPEB liabilities due to contributions made after the state's fiscal year or a deferred outflow

of resources. These figures are actuarially determined and the College has no say in them. Long-term debt or the construction bonds are also included.

- Current liabilities were comprised mostly of accounts payable and also in line with current construction projects.
- Total liabilities were up ~\$600 thousand.
- Total net position increased from \$4.7 million to \$5.9 million in the current year.

Statements of Revenues, Expenses and Changes in Net Position (Income Statement):

- Bay was one of few community colleges that saw increases in tuition and fee revenue. Most schools had decreases in enrollment.
- Total operating revenues increased \$530 thousand. Management did a great job of navigating expenses during the pandemic.
- Operating loss was \$14.6 million compared to \$15.8 million last year.
- This year's state appropriations were more consistent with 2019 and prior years. The College also saw increases in property tax revenue and almost \$1.7 million in federal pandemic funds.
- Overall net position increased from \$4.7 million to \$5.9 million or almost \$1.2 million this year.

Statements of Cash Flows:

- Net cash used in operating activities increased from \$12.4 million to \$12.7 million.

Notes to Financial Statements:

- The Risks and Economic Uncertainties section addressed the federal funding of \$4,945,431 awarded to the College in response to the pandemic and how much of this revenue was recorded in the last two years. The funds had to be used for specified purposes. The College spent just over \$2 million so there is still a lot to be spent over the next 18 months for specific purposes.
- Unrestricted net deficit for the pension and OPEB liability fund is almost \$20 million which had a huge effect on the financial statements. It doesn't change the College's cash flow position, but it is required to put on the College's books.
- Net pension liability of just under \$18 million was based on actuarial rates. The College should continue to pay only the required payment amount, which is trending down. The State will assume the remaining net pension liability in 2038 according to current legislation.

Steve Peacock and Josh Sullivan confirmed the College's financial health is in a positive position and Bay trends toward the top compared to other community colleges.

They also responded to a question about future audits of the federal pandemic funds. Federal guidance is catching up with the initial grant instructions because there has been a lot of gray area in the spending requirements. They expect latitude to be extended during audits for this reason. Eileen Sparpana added that the State of Michigan looks at the reports the College turns in and they have made recommendations about items that may not be

covered by the funding. Josh added that the DOE has been answering questions from 2-3 days to 2-3 weeks and Rehmann has compiled answers to some of these questions so they encourage schools to ask them their questions. Some of the uncertain areas are being settled.

Josh provided a financial summary presentation (slides attached).

- A three-year comparison of restricted assets showed growth due to the Hannahville Indian Community Grant. These assets will eventually go down when the bond is paid down.
- Unrestricted assets had a \$1.2 million deficit change in net position.
- Comparisons of Bay with ACS report peer schools with 2020 data were provided for general fund revenues and expenditures. Bay is very consistent with its peer groups.

It was moved by Terri Mileski and seconded by Joy Hopkins to:

“Accept and place on file the College Audit Reports and Report to Management for the years ended June 30, 2021 and 2020.” No further discussion. Motion carried unanimously.

College Financial Ratios:

Eileen reported the College’s CFI (composite financial index) is 3.77. The highest possible is 10 (i.e., Harvard & other large schools). The College’s CFI is usually around 2. Last year, it was down to 1.27 because of the \$1.5 million loss. This year it is 3.77 due to a profit of \$1.2 million which resulted in a \$2.7 million turnaround and because the Foundation is a component unit of the College, so some of their numbers are included in the CFI calculation and they had a \$2 million increase in net assets from the prior year due to investment income.

Days Cash on Hand is 127 this year compared to 101. This is also a strong financial indicator.

Eileen extended thanks to Ann Valiquette, Director of the Business Office and Lynn Martinson, Assistant Controller, who are the reason the College had a good audit.

On a motion by Joy Hopkins and seconded by Terri Mileski:

“The meeting was adjourned.” Motion carried unanimously. The meeting adjourned at 4:46 p.m. ET.

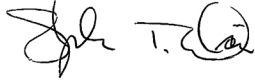
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Laura L. Johnson
Assistant Board Secretary

Completion
Date:

Approval Date:



Stephen T. Davis
Chair

Approval Date: