

## **REPORT OF MINUTES**

### **BOARD OF TRUSTEES SPECIAL MEETING**

**BAY de NOC COMMUNITY COLLEGE  
Board Room CB 201D  
Escanaba, MI**

**November 13, 2024**

The meeting was called to order at 4:01 p.m. ET by Chair Eric Lundin.

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

Board Members Present: Joy Hopkins, Terri Mileski, Nick Chenier, Eric Lundin

Tom Butch attended by phone as a reasonable accommodation for a disability.

Wendy Middaugh arrived at 4:13 p.m.

Board Member Absent: Steve Davis

Administration: Nerita Hughes, Lynn Martinson, Alaina Kreis, Penny Pavlat, Sherri Viau

Faculty: Amber Kinonen

Guest: Josh Sullivan, Rehmann Robson, LLC

Recorder: Laura Johnson, Assistant Board Secretary

Eric Lundin stated the meeting was called to receive the College audit reports for the Years Ended June 30, 2024 and 2023.

There were no citizen introductions or public comment.

There were no conflicts of interest declared by trustees.

Eric turned the meeting over to Josh Sullivan from the audit firm, Rehmann Robson, LLC, to review the audit reports. Josh reported that the College received a clean or unmodified opinion, which is the highest level of assurance that can be placed on financial statements. The audit report also references the College Foundation, although it is audited by another firm.

Josh reviewed the audit report documents and financial statements prepared by the College Administration. The reports are available on the college website at

<https://www.baycollege.edu/about/consumer-information/michigan-transparency-act.php>.

Total net position increased ~\$3.8 million year over year. Total assets also increased ~\$835,000 year over year. Capital assets decreased ~\$890,000 and deferred outflows related to the Pension and OPEB Liability Fund also decreased ~ \$1.4 million.

The deferred outflows of resources of ~\$5 million was recorded because of changes in assumptions to the net pension and OPEB (assets) liabilities. The OPEB liability was met this year and flipped to an asset position based on actuarial valuations. The pension liability is still ~14 million and working its way down. The discount rates stayed consistent this year contributing to the decrease in liability. Long-term liabilities decreased by ~\$4.6 million due to a decrease in net pension (\$2.5 million) and OPEB (\$1 million) liabilities as well as a reduction in long-term debt (\$1 million). The College does not have any say in the pension and OPEB liabilities, but they impact its financials.

Total operating revenues were up ~\$1 million due to an increase in federal grants and some new contracts this year, despite a decrease in net tuition and fees.

Total operating expenses were up ~\$600,000 due to the increased costs of doing business.

Total net nonoperating revenues increased ~\$630,000 due primarily to the increase in state appropriations and interest income.

The one-time ITEMS funding of \$640,300 from the state was recorded as other revenue – state capital appropriations. These one-time funds were allocated for infrastructure, technology, maintenance, and safety expenses.

Net position increased \$3.8 million for end of year net position of \$14,600,810.

Wendy Middaugh arrived at 4:13 p.m.

Net cash used in capital and related financing activities decreased ~\$1.2 million compared to last year.

The unrestricted general fund is in a very healthy position at \$20,097,327. Discussion was held about peer comparisons and that some schools may have more employees enrolled in the defined contribution retirement plan which changes the OPEB liability.

The income statement for the Iron Mountain campus was reviewed on page 67 of the report. There was a slight decrease in net position year over year.

Josh responded to a question about the ~\$1 million increase in institutional administration expense, that the increase was primarily a result of 2023 administrative expenses being

reduced by \$951,000 in one-time Higher Education Emergency Relief Fund (HEERF) grant proceeds, which were exhausted in 2023. Conversely instructional expenses are being reported as a ~ \$1 million decrease year over year also due to the accounting treatment of HEERF grant expense reimbursements in 2023. The Operating Expenses table listed on page 12 of Management's Discussion and Analysis is not as useful as it once was for trustees because of the effect of things like the HEERF grant and Pension and OPEB accounting since they do not correspond with how the money was actually spent. The statement also does not compare pre-HEERF dollars to compare years. This year represents more of a normal baseline of operating expenses because there are no more HEERF dollars in the budget. The restricted net position went up because \$609,000 was unspent and deemed unrestricted. There is no deadline to expend those funds.

A proposed audit adjustment was prepared but Josh explained that it is immaterial both individually and, in the aggregate, and need not be recorded. The adjustment is for estimated lease amounts before discount under Governmental Accounting Standards Board (GASB) 87. They do not impact the bottom line and it would be costly to account for these immaterial amounts.

The Rehmann team will advise on anticipated changes to GASB 101 which revises the liability governments record for compensated absences payable to include any sick, vacation, personal time, or other PTO reasonably expected to be used by employees or paid out to them at termination.

Josh extended thanks to the Business Office team. They do a great job responding to their requests and are knowledgeable. They ask for a lot and the team responds very well.

Lynn Martinson thanked Director of the Business Office Alaina Kreis and Senior Accountant Sherri Viau, as well as the rest of the Business Office team for their efforts resulting in a clean audit. Special thanks to Alaina who joined the College in June and went right into the audit.

Likewise, the Trustees and Dr. Hughes extended thanks for a job well done to the Business Office team.

Josh responded to the question about expected risks/concerns to watch for and the most common deficiencies in audits, that having controls in place and processes documented especially during transitions, is very important.

It was moved by Joy Hopkins and seconded by Nick Chenier to:

**“Accept and place on file the College Audit Reports and Report to Management for the years ended June 30, 2024 and 2023.”** No further discussion. Motion carried unanimously.

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On a motion by Joy Hopkins and seconded by Wendy Middaugh:

**“The meeting was adjourned.”** Motion carried unanimously. The meeting adjourned at 4:53 p.m. ET.

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Laura L. Johnson  
Assistant Board Secretary

Completion  
Date:

Approval Date:

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Eric L. Lundin  
Chair

Approval Date: