REPORT OF MINUTES

BOARD OF TRUSTEES
SPECIAL MEETING

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

November 10, 2026

Chair Wendy Middaugh called the meeting to order at 4:04 p.m. ET.

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

Board Members Present:	Joy Hopkins, Terri Mileski, Katie VanEnkevort, Steve Soderman, Wendy Middaugh
Board Members Absent:	Nick Chenier, Cory Kuchenberg
Administration:	Alaina Kreis, Lynn Martinson, Penny Pavlat, Sherri Viau, Nerita Hughes joined remotely.
Guest:	Josh Sullivan, Principal at Rehmann participated remotely.
Recorder:	Laura Johnson, Assistant Board Secretary

Chair Wendy Middaugh stated that the meeting was called to receive the College audit reports for the Years Ended June 30, 2026 and 2025. The agenda was approved by unanimous consent.

There were no citizen introductions or public comments, and no conflicts of interest were declared by trustees.

The meeting was turned over to Josh Sullivan, Principal at Rehmann, 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 College implemented the provisions of GASB Statement No. 103 Financial Reporting Model Improvements. This new accounting standard is designed to improve clarity,

consistency, and decision-usefulness of governmental financial statements by updating reporting and presentation formats.

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.

Net Assets
Overall net position increased by $3.1 million to $22,023,545.00, primarily driven by capital asset additions due to investments in information technology and positive annual actuarial adjustments to the College's proportionate share of the MPSERS net pension liability and net OPEB (Other Post-Employment Benefits) assets. Timing differences between the plan contributions are seen as either deferred inflow or outflow. Nearly a $600,000 increase in OPEB plan funding was received over last year instead of the deficit seen in prior years.

The new Ellucian Colleague Enterprise Resource Planning (ERP) system is classified as a capital asset under Subscription-Based Information Technology Agreements (SBITAs) according to GASB Statement No. 96 accounting standard. The asset and corresponding liability are recorded instead of the monthly payments and is amortized over the term of the subscription.

Overall total liabilities are almost flat, with information technology liabilities ~$3 million between current and noncurrent SBITA liabilities.

Statement of Revenues, Expenses & Changes in Net Position
Josh congratulated the College for being good stewards of the community's tax dollars while emphasizing the reality of managing increasing costs.

Depreciation and amortization and information technology operating expenses increased this year. Some software expenses are capitalized and other related expenses for software are not capitalized depending on the type, term, and nature of the agreement.

The operating loss increased from last year due to investment in the ERP conversion and a one-time state appropriation received last year for the MPSERs pension plan reimbursement.

Property tax levies for each campus increased slightly from last year and are listed under noncapital subsidies with the property tax levy for capital debt retirement also increasing slightly and classified as other nonoperating revenues (expenses).

Change in net position is $3,059,304 for 2026 compared to $4,761,890 the prior year.

Statement of Cash Flows
Cash flows were consistent year to year with more spent from capital assets to pay down debt, addition of capital assets and subscription-based IT arrangements.

Investing activities include interest received on bank deposits.

The increase in payables was related to the acquisition of $3.5 million of subscription-based IT arrangements.

Steve Soderman noticed that the debt property tax levy of $1,533,006 was reported the same for 2026 and 2025 on the Statement of Cash Flows but different on the Statements of Revenues, Expenses, and Changes in Net Position. Josh will verify whether that is correct.

Josh reiterated the change in accounting principle GASB No. 103, Financial Reporting Model Improvements was implemented by the College and GASB No 96. Subscription-Based Information Technology Arrangements guides how SBITAs are accounted for.

Josh responded to Steve Soderman that capital assets are not depreciated while construction is in progress. The full amount paid or accrued (payables) is included in the Statement of Net Position as noncurrent assets and then depreciated over its useful life.

Notes to Financial Statements
Compensated absences and future debt service requirements on bonds payable were reviewed.

The College recognized deferred outflows of resources of $2.2 million and deferred inflows of resources of $3.5 million related to MPSERs pensions. The last eight to ten years the State has awarded UAAL payments to the College for payment to the pension system, which amounted to $668,746 this year and is recorded as a deferred inflow and net deferred outflow of resources. The College also contributed $1.5 million to the MPSERs plan from October 1 to June 30, 2026.

A discount rate of 6.00% was used to measure the total pension and OPEB liabilities for the fiscal years ended September 30, 2025 and 2024, and is consistent with other industry trends. The MPSERs pension plan is almost 80% funded with the College's share of that debt at .04262% as of June 30, 2026.

The net present value of future minimum payments for fiscal years 2027-2031 of the long-term subscription-based information technology arrangements (SBITAs) was reviewed as a new footnote to the financial statements.

Upcoming Changes in Accounting Standards/Regulations
GASB 105 will become effective June 15, 2027, and defines subsequent events as transactions or other events that occur after the date of the financial reporting statements

but before the date the financial statements are available to be issued, modifies the subsequent events time frame throughout the GASB literature, and also clarifies the different types of subsequent events, when note disclosures are required, and the information that should be included in those note disclosures.

Schedule of Adjustments Passed
A proposed audit adjustment was identified to book lease amounts over one year as assets and liabilities similar to SBITAs, but was determined it did not need to be recorded because it is not material to the financial statements.

Single Audit Act Compliance
The federal government has not yet released the compliance supplement (audit requirements) to finalize the Single Audit which primarily audits student financial aid. The audit has been performed using last year's requirements and although there are not typically significant changes, the auditors need to wait until the compliance supplement is finalized to complete the audit. The compliance supplement is expected in mid-December.

Josh thanked Lynn Martinson and the Business Office team for their diligent work. Trustees thanked Josh for the thorough review and the Business Office team. Lynn introduced Alaina Kreis, Director of the Business Office and Sherri Viau, Senior Accountant and stated that this year was extra challenging with the ERP conversion taking place during the audit. The commitment and attention to detail of the Business Office is the reason the College received a clean audit.

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, 2026 and 2025." Trustees extended thanks and appreciation for the Business Office team's excellent work and efforts. Motion carried unanimously.

It was moved by Joy Hopkins and seconded by Katie VanEnkevort to:

"Adjourn the meeting." Motion carried unanimously. The meeting adjourned at 4:56 p.m. ET.

Laura L. Johnson Assistant Board Secretary	Completion Date	Approval Date
Wendy B. Middaugh Chair		Approval Date