

Bay de Noc
Community
College



Years Ended
June 30, 2022
and 2021

Financial
Statements
and
Supplementary
Information

Rehmann

BAY DE NOC COMMUNITY COLLEGE

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INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

November 7, 2022

Board of Trustees
Bay de Noc Community College
Escanaba, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and the discretely presented component unit of **Bay de Noc Community College** (the "College"), as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

In our opinion, based on our audits, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the College, as of June 30, 2022 and 2021, and the respective changes in financial position, and, where applicable, cash flows thereof, for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Bay de Noc Community College Foundation. Those statements were audited by other auditors whose reports thereon were furnished to us, and our opinions, insofar as they relate to the amounts included for the above entities, are based solely on the reports of the other auditors.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Independent Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. The financial statements of the Bay de Noc Community College Foundation were not audited in accordance with *Government Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Independent Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, no such opinion is expressed.

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the schedules for the pension and other postemployment benefits plans, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the financial statements. The other information comprises the combining statement of financial position, the combining statement of revenues, expenses, transfers and changes in net position, and the West Campus - schedules of revenues, expenses and changes in net position, but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audits of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued, under separate cover, our report dated November 7, 2022, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Rehmann Lohman LLC". The signature is written in a cursive, flowing style.

BAY DE NOC COMMUNITY COLLEGE

Management's Discussion and Analysis

The discussion and analysis of *Bay de Noc Community College's* (the "College") financial statements provide an overview of the College's financial activities for the years ended June 30, 2022, 2021 and 2020. Management has prepared the financial statements, the related footnote disclosures, required supplementary information (RSI) and supporting information along with the discussion and analysis. Responsibility for the accuracy and completeness of this information rests with the College's management.

Using this Report

The College's financial statements have been prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities* and the State of Michigan's *Manual for Uniform Financial Reporting for Michigan Public Community Colleges*, 2001.

This annual financial report includes management's discussion and analysis, the report of the independent auditors, the basic financial statements, notes to financial statements, and RSI. Following these items are three supplementary schedules, the combining statement of net position, the combining statement of revenues, expenses, transfers and changes in net position, and the West Campus - schedules of revenues, expenses, and changes in net position. Although the GASB does not require this information be present for a fair and complete presentation, the statements do provide additional information regarding the various funds and activities of the College that are not disclosed in the basic financial statements.

Component Unit

The Financial Reporting Entity: Omnibus, GASB Statement No. 61, requires that separate legal entities associated with a primary government that meet certain criteria be included with the financial statements of the primary reporting unit. In compliance with this statement, the *Bay de Noc Community College Foundation* (the "Foundation") is reported as a component unit of the College and its financial activity is discretely reported herein.

Financial Highlights

For the year ended June 30, 2022, the College continued to account for GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68) and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* (GASB 75). These standards require the College to record its proportionate share of the net pension liability of the Michigan Public School Employees Retirement System (MPSERS), the defined benefit plan in which the majority of the employees of the College participate and requires employers who provide other postemployment benefits (OPEB) to recognize its proportionate share of the net OPEB liability of the MPSERS on their statements of net position. Note 6 to the financial statements includes a number of items related to these standards, and four schedules are included as RSI following the footnotes. Both GASB 68 and GASB 75 have had a significant impact on the liabilities and net position of the College as discussed below.

For the year ended June 30, 2022, the College recorded total operating revenues of \$7.2 million and total operating expenses of \$21.7 million. The difference produced an operating loss of \$14.5 million. Net nonoperating revenues of \$17.1 million offset this loss and resulted in an overall increase in net position of \$2.6 million.

With the \$2.6 million net increase generated in fiscal year 2022, the College's net position increased to a fiscal year-end balance of \$8.6 million.

BAY DE NOC COMMUNITY COLLEGE

Management's Discussion and Analysis

The Statement of Net Position

The statements of net position include all assets deferred outflows, liabilities, deferred inflows and net position of the College and are prepared under the accrual basis of accounting, whereby revenues and assets are recognized when services are provided, and expenses and liabilities are recognized when obligations are incurred regardless of when cash is exchanged. The summarized statements of net position below present the financial position of the College at June 30, 2022, 2021 and 2020.

	Net Position as of June 30		
	2022	2021	2020
Current assets	\$ 10,254,422	\$ 12,056,550	\$ 9,238,580
Noncurrent assets	32,959,877	32,270,575	31,124,678
Total assets	43,214,299	44,327,125	40,363,258
Deferred outflows of resources	3,120,365	4,933,747	6,326,012
Other liabilities	3,477,586	4,472,122	3,358,035
Long-term liabilities	24,944,948	34,559,989	35,064,793
Total liabilities	28,422,534	39,032,111	38,422,828
Deferred inflows of resources	9,353,043	4,311,645	3,535,086
Net investment in capital assets	20,001,226	19,488,206	19,774,441
Restricted-expendable	662,307	662,307	464,530
Unrestricted (deficit)	(12,104,446)	(14,233,397)	(15,507,615)
Total net position	\$ 8,559,087	\$ 5,917,116	\$ 4,731,356

Current assets consist of cash and cash equivalents, receivables, prepaids and other assets. Current assets totaled \$10.3 million at June 30, 2022 compared to \$12.1 million at June 30, 2021. The \$1.8 million decrease can be attributed to a \$1.374 million decrease in cash and a \$1.243 million decrease in cash-restricted for capital improvements, partially offset by a \$407,000 increase in grants receivable and a \$297,000 increase in other receivables.

Current assets totaled \$12.1 million at June 30, 2021 compared to \$9.2 million at June 30, 2020. The \$2.9 million increase can be attributed to a \$1.25 million increase in cash, a \$635,000 increase in State appropriations receivable and a \$626,000 increase in cash-restricted for capital improvements as a result of a \$2.8 million bond issued in December 2020.

Noncurrent assets consist of capital assets and cash restricted for debt payments. Noncurrent assets totaled \$33.0 million at June 30, 2022 and \$32.3 million at June 30, 2021. The increase of approximately \$0.7 million is primarily the result of \$2.95 million in capital purchases offset by \$2.23 million in depreciation expense.

BAY DE NOC COMMUNITY COLLEGE

Management's Discussion and Analysis

Noncurrent assets totaled \$32.3 million at June 30, 2021 and \$31.1 million at June 30, 2020. The increase of approximately \$1.2 million is primarily the result of \$3.1 million in capital purchases offset by \$2.1 million in depreciation expense.

Deferred outflows of resources at June 30, 2022 of approximately \$3.1 million was recorded as a result of changes in assumptions to the net pension and OPEB liabilities and College contributions to the MPSERS plan subsequent to the plan's measurement date. This was a decrease of approximately \$1.8 million from June 30, 2021 due to changes in assumptions related to the payroll growth assumption.

Deferred outflows of resources at June 30, 2021 of approximately \$4.9 million was recorded as a result of changes in assumptions to the net pension and OPEB liabilities and College contributions to the MPSERS plan subsequent to the plan's measurement date. This was a decrease of approximately \$1.4 million from June 30, 2020 due to changes in assumptions related to the payroll growth assumption.

Current liabilities consist of accounts payable, accrued liabilities, unearned revenue, and current portion of long-term debt obligations due within the next fiscal year. Current liabilities were approximately \$3.5 million at June 30, 2022 compared to \$4.5 million at June 30, 2021. The \$1.0 million decrease can be attributed to decreases in accounts payable and the current portion of accrued employee benefits payable.

Current liabilities were approximately \$4.5 million at June 30, 2021 compared to \$3.4 million at June 30, 2020. The \$1.1 million increase can be attributed to an increase in accounts payable due to two large capital projects in progress at year end with outstanding balances due the vendors and an increase in the current portion of long-term debt as a result of the December 2020 bond issue.

Noncurrent liabilities consist of long-term debt, for which the principal is due in more than one-year, accrued employee retirement benefits and net pension and OPEB liabilities. Noncurrent liabilities decreased from 2021 to 2022 by approximately \$9.6 million due to a decrease in net pension and OPEB liabilities of \$8.5 million as a result of changes in assumptions used by the actuary and a \$1.1 million decrease in long-term debt as a result of annual debt payments.

Noncurrent liabilities decreased from 2020 to 2021 by approximately \$505,000 due to a decrease in net pension and OPEB liabilities of \$1.96 million as a result of changes in assumptions used by the actuary and a \$1.67 million increase in long-term debt as a result of the December 2020 bond issue.

Deferred inflows of resources at June 30, 2022 of approximately \$9.4 million were recorded as a result of changes in proportion and differences between employer contributions and proportionate share of contributions, differences between expected and actual experience, and the pension portion of State appropriation payments received pursuant to Sec. 147c of the State School Aid act (PA 94 of 1979). This is an increase of approximately \$5.1 million from June 30, 2021 due mostly to the increases in deferred inflows related to differences between expected and actual experience related to the OPEB plan.

Deferred inflows of resources at June 30, 2021 of approximately \$4.3 million were recorded as a result of changes in proportion and differences between employer contributions and proportionate share of contributions, differences between expected and actual experience, and the pension portion of State appropriation payments received pursuant to Sec. 147c of the State School Aid act (PA 94 of 1979). This is an increase of approximately \$777,000 from June 30, 2020 due mostly to the increases in deferred inflows related to differences between expected and actual experience related to the OPEB plan.

BAY DE NOC COMMUNITY COLLEGE

Management's Discussion and Analysis

Net position increased from 2021 to 2022 by approximately \$2.6 million. Other funds increased \$1.0 million which includes \$1.0 million increase in recognized HEERF assistance while GASB 68 and GASB 75 adjustments increased net position by \$1.6 million.

Net position increased from 2020 to 2021 by approximately \$1.2 million. Other funds increased \$1.4 million which includes \$1.2 million increase in recognized HEERF and CRF assistance while GASB 68 and GASB 75 adjustments decreased net position by \$209,000.

Statement of Revenue, Expenses, and Changes in Net Position

The statements of revenues, expenses and changes in net position present the revenues earned and expenses incurred during the year. The utilization of long-lived assets, referred to as capital assets, is reflected in the financial statements as depreciation, which amortizes the cost of the asset over the expected life. A summarized comparison of the College's revenues, expenses and changes in net position for the years ended June 30 is as follows:

	Statements of Revenues, Expenses and Changes in Net Position		
	2022	2021	2020
Total operating revenues	\$ 7,226,970	\$ 7,726,261	\$ 7,191,975
Total operating expenses	21,684,469	22,375,824	23,012,870
Operating loss	(14,457,499)	(14,649,563)	(15,820,895)
Net nonoperating revenues	17,099,470	15,835,323	14,270,709
Increase in net position	2,641,971	1,185,760	(1,550,186)
Net position, beginning of year	5,917,116	4,731,356	6,281,542
Net position, end of year	\$ 8,559,087	\$ 5,917,116	\$ 4,731,356

Operating Revenue

Operating revenues included the following for the years ended June 30:

	Operating Revenues		
	2022	2021	2020
Net tuition and fees	\$ 6,002,991	\$ 6,446,252	\$ 5,891,250
Grants	710,100	826,363	728,598
Auxiliary services	261,893	252,699	320,048
Other operating revenues	251,986	200,947	252,079
Total operating revenues	\$ 7,226,970	\$ 7,726,261	\$ 7,191,975

Operating revenues decreased from 2021 to 2022 as a result of the following factors:

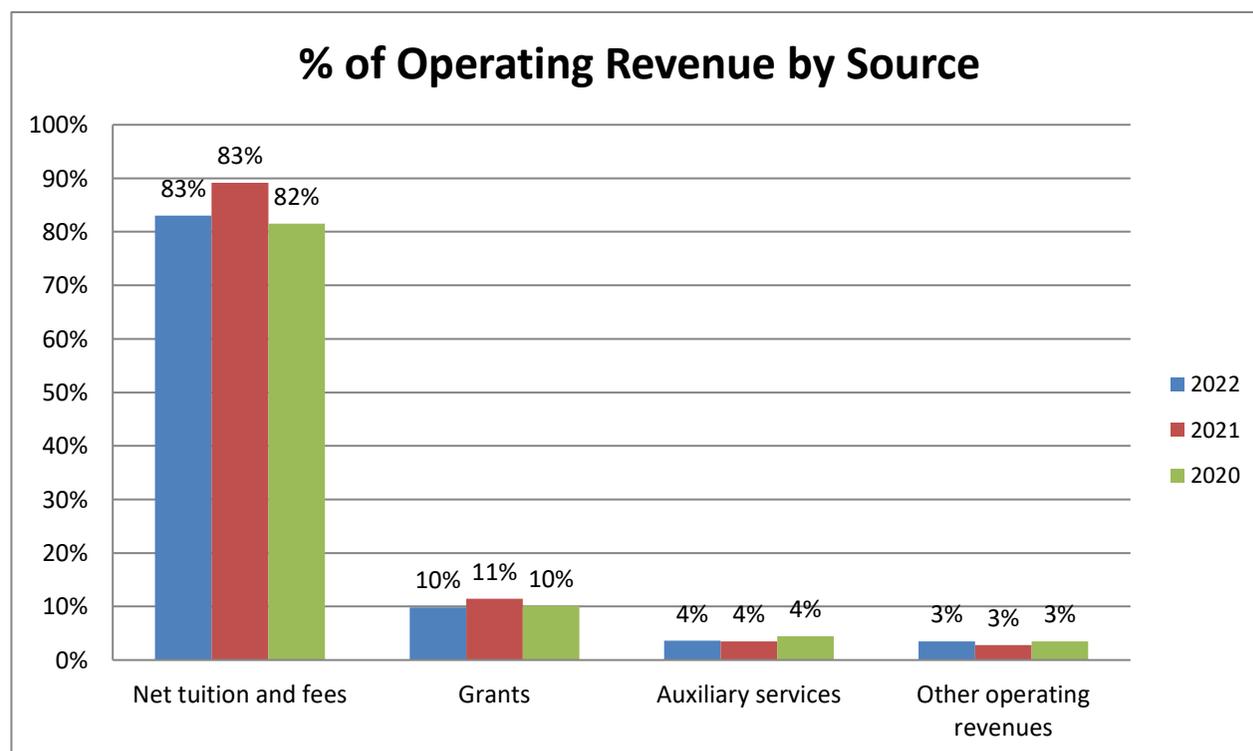
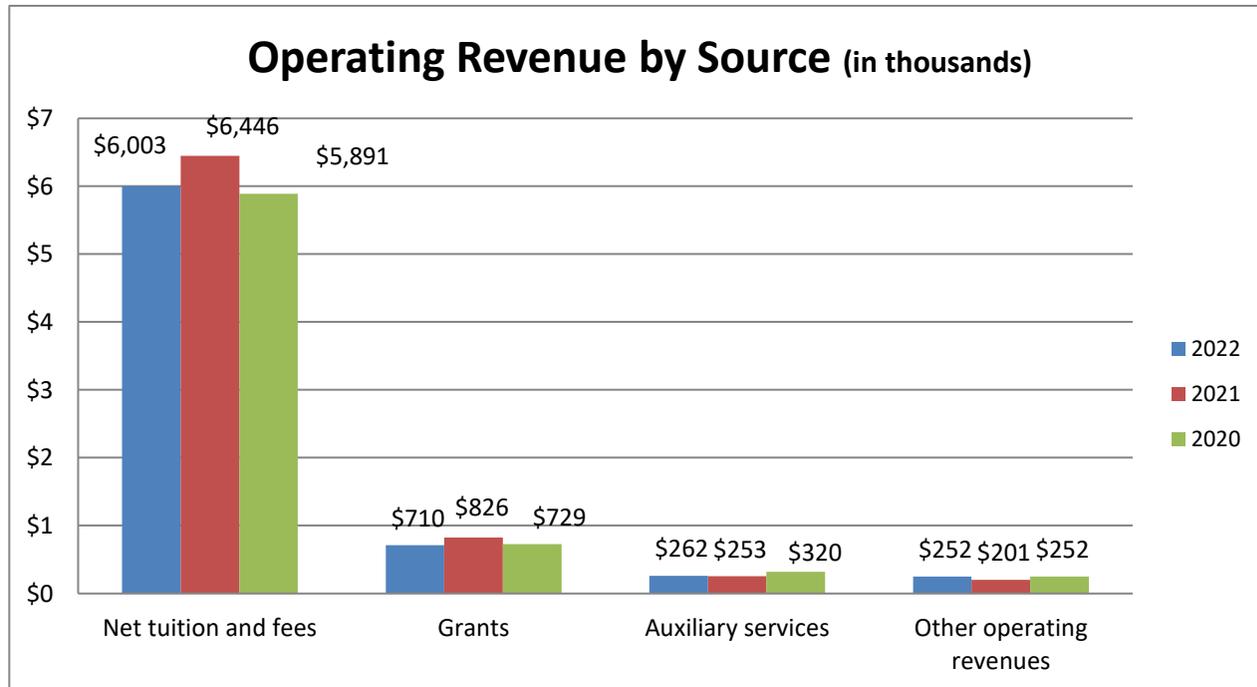
- Decrease in tuition and fees, net of scholarship allowance, of approximately \$443,000 as a result of an increase in the scholarship allowance.

BAY DE NOC COMMUNITY COLLEGE

Management's Discussion and Analysis

Operating revenues increased from 2020 to 2021 as a result of the following factors:

- Increase in tuition and fees, net of scholarship allowance, of approximately \$555,000 as a result of an increase in enrollment and tuition rates.



Nonoperating revenues are all revenue sources that are primarily non-exchange in nature. They consist primarily of State appropriations, property taxes, Pell grants, Federal HEERF and CRF fund grants, gifts, and interest income. Nonoperating expenses consist of interest on capital asset related debt, contributions made to the YMCA and any losses on disposal of capital assets.

BAY DE NOC COMMUNITY COLLEGE

Management's Discussion and Analysis

Nonoperating Revenue (Expense)

Nonoperating revenues included the following for the years ended June 30:

	Nonoperating Revenues (Expenses)		
	2022	2021	2020
State appropriations	\$ 6,823,030	\$ 6,823,818	\$ 6,128,747
Property tax levy	4,047,276	3,939,105	3,922,048
Property taxes from Dickinson County	1,146,900	1,135,863	1,086,141
Pell grants	2,412,923	2,449,475	2,624,551
Federal Higher Education Emergency Relief Fund grant	2,819,689	1,045,128	530,294
Federal Coronavirus Relief Fund grant	-	627,900	-
Support from component unit	605,213	599,308	511,579
Private gifts, grants and contracts	209,708	394,177	265,552
Contributions to the YMCA	(620,000)	(850,000)	(305,000)
Interest income	72,632	86,143	73,598
(Loss) gain on disposal of capital assets	(5,296)	4,235	(155,000)
Interest on capital asset - related debt	(412,605)	(419,829)	(411,801)
Net nonoperating revenues	\$ 17,099,470	\$ 15,835,323	\$ 14,270,709

Changes in nonoperating revenues (expenses) from 2021 to 2022 were primarily the result of the following factors:

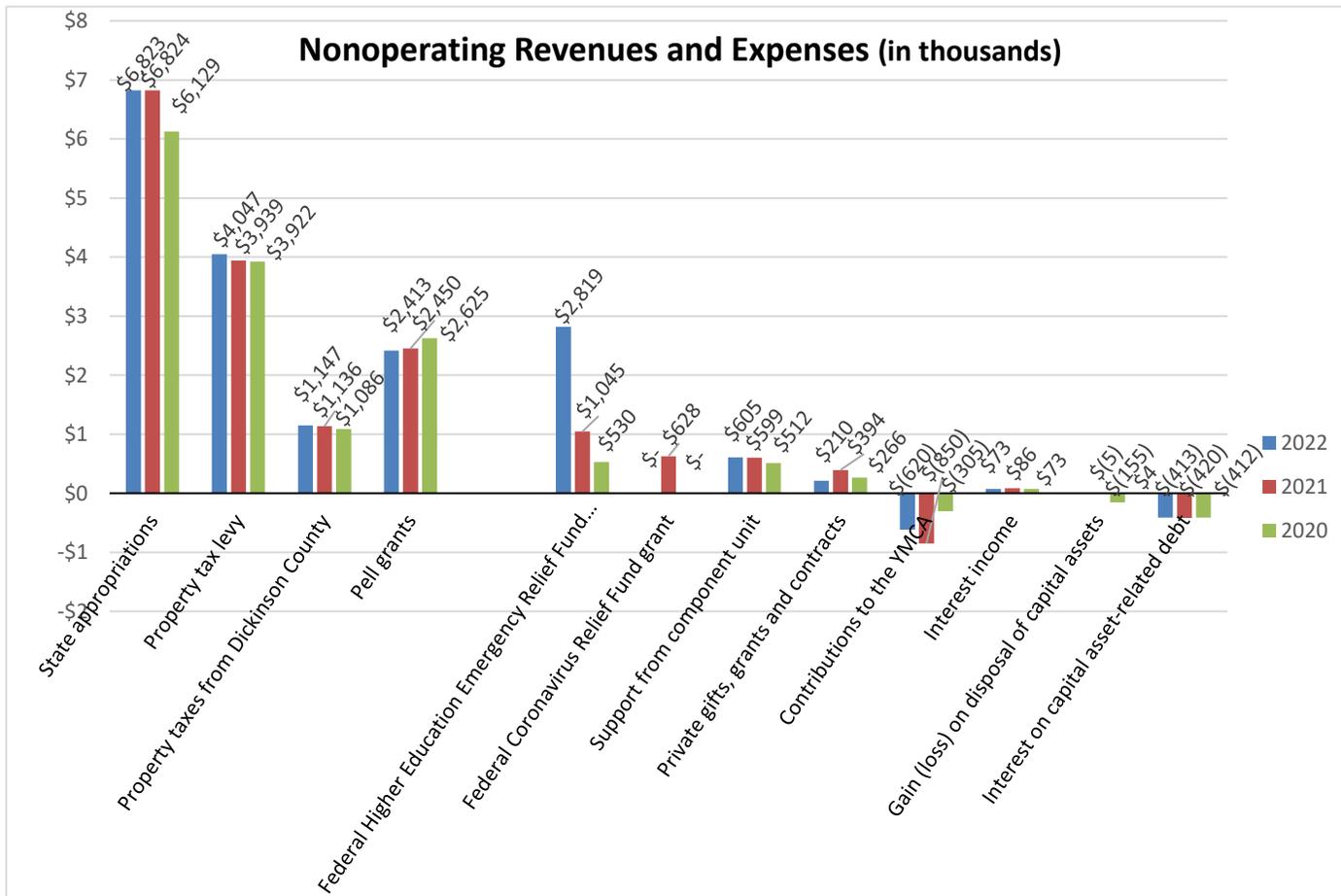
- A \$1.1 million net increase in the Federal Higher Education Emergency Relief Fund (HEERF) and Federal Coronavirus Relief Fund (CRF) grants to cover eligible coronavirus pandemic expenses.

Changes in nonoperating revenues (expenses) from 2020 to 2021 were primarily the result of the following factors:

- An approximate \$1.143 million increase in the Federal Higher Education Emergency Relief Fund (HEERF) and Federal Coronavirus Relief Fund (CRF) grants to cover eligible coronavirus pandemic expenses.
- An approximate \$695,000 increase in State appropriations.
- An approximate \$417,000 net increase in nonoperating expense for contributions to the YMCA for their capital project. These contributions increased \$545,000 over the prior year but this expense increase was partially offset by a \$128,000 increase in restricted contributions from the Hannahville Indian Community to pay the debt service on the 2018 bonds.

BAY DE NOC COMMUNITY COLLEGE

Management's Discussion and Analysis

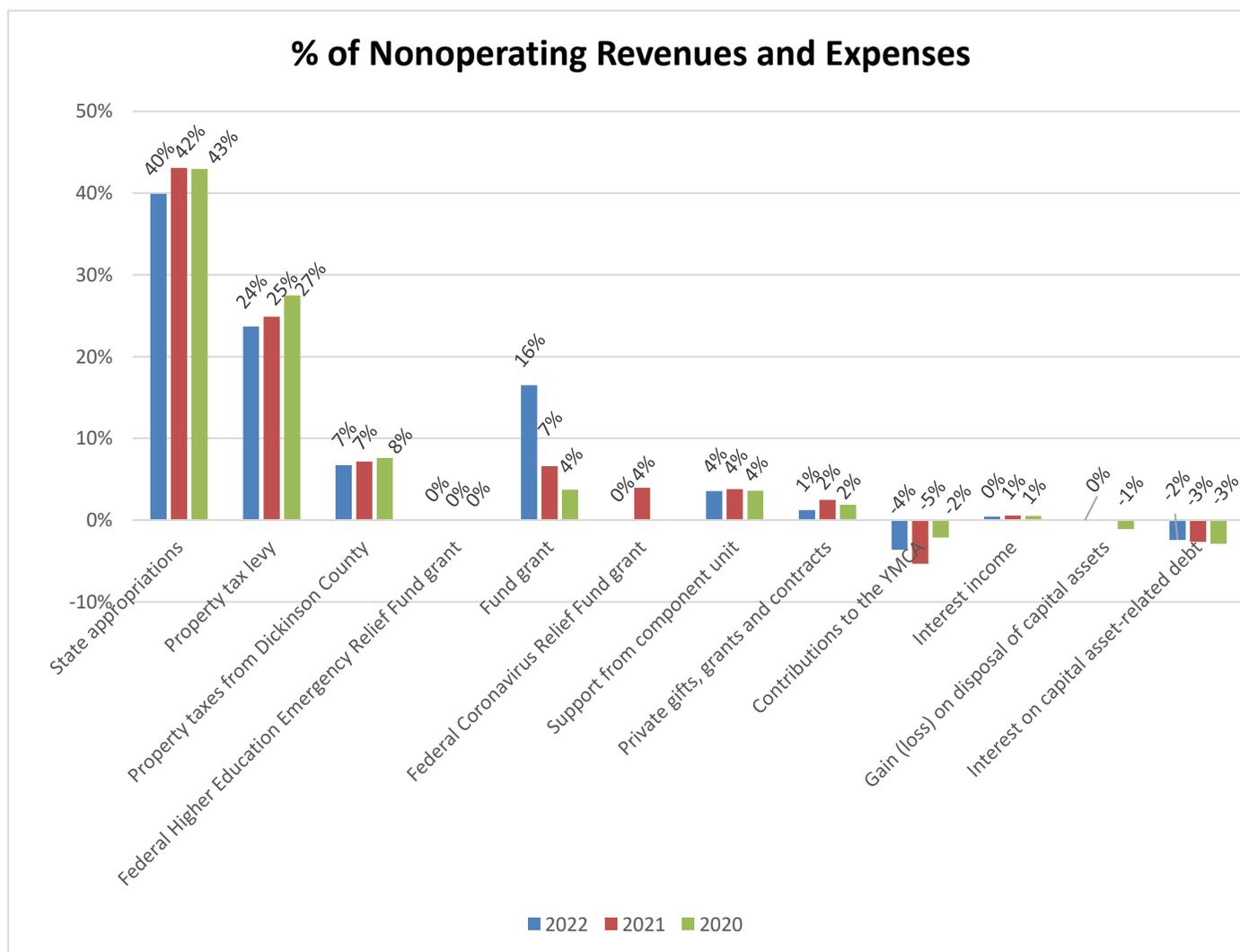


Operating expenses are all the costs necessary to perform and conduct the programs and primary purposes of the College. They include salaries and benefits, utilities, supplies, services and depreciation and are categorized by functional area.

	Operating Expenses		
	2022	2021	2020
Instruction	\$ 7,898,248	\$ 9,000,378	\$ 9,532,672
Public service	132,593	190,937	240,802
Instructional support	1,673,390	1,630,422	1,822,756
Student services	4,343,010	3,549,926	3,737,858
Institutional administration	1,465,311	1,750,650	2,546,114
Operations and maintenance of plant	2,345,060	2,338,657	1,921,857
Information technology	1,599,689	1,773,441	1,553,697
Depreciation	2,227,168	2,141,413	2,157,114
Total operating revenues	\$ 21,684,469	\$ 22,375,824	\$ 23,512,870

BAY DE NOC COMMUNITY COLLEGE

Management's Discussion and Analysis



Changes in operating expenses from 2021 to 2022 were a result of the following factors:

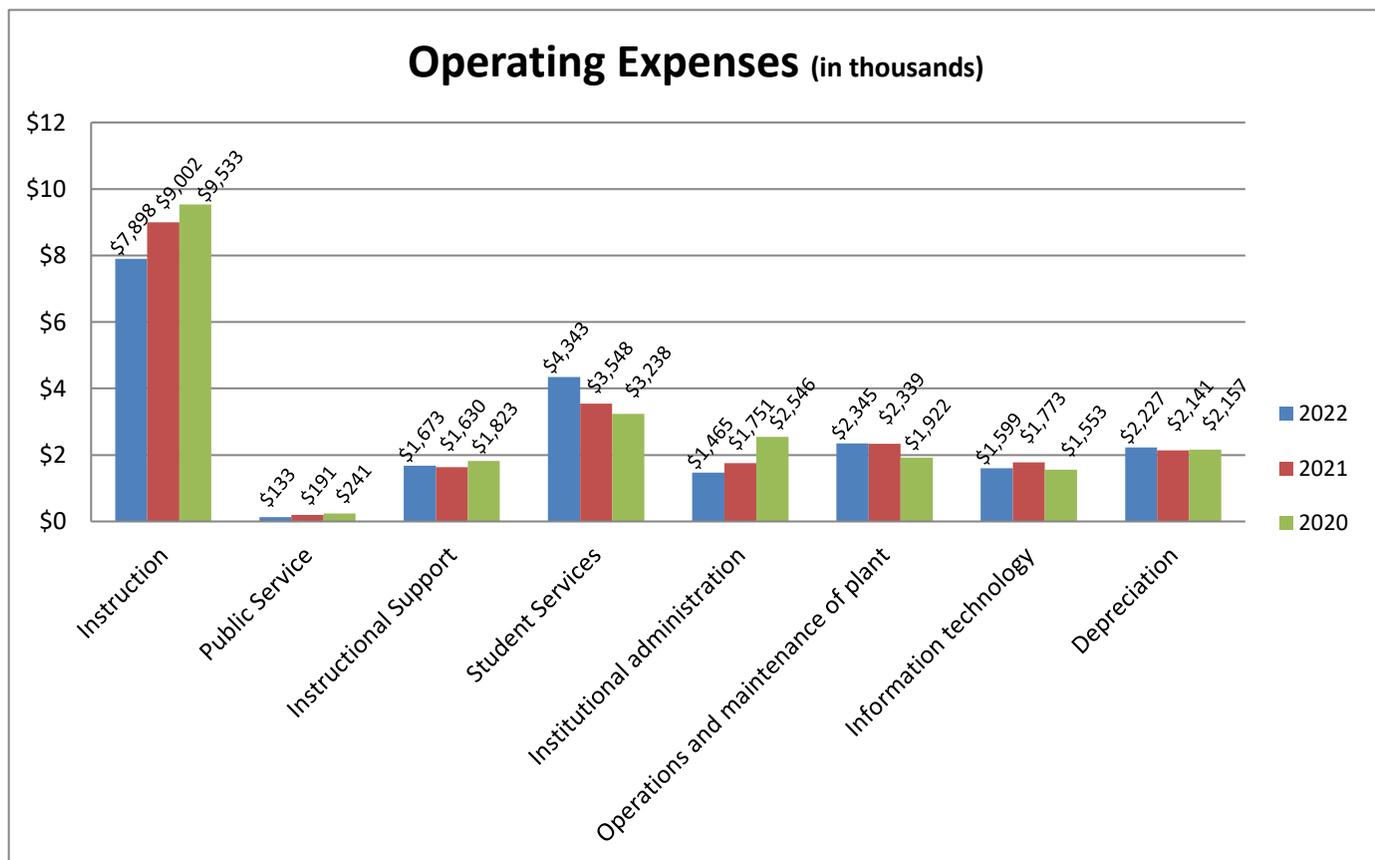
- Instruction expenses decreased by approximately \$1.1 million, or 12.2% as a result of a significant reduction in the unfunded defined benefit pension and OPEB liabilities, offset by a slight increase in COVID-19 related expenses.
- Student services expenses increased by approximately \$793,000, or 22.3%, as a result of increased emergency grants to students (funded under the CARES Act) partially offset by the reduction in the pension and OPEB liabilities.
- Institutional administration expenses decreased by approximately \$285,000 or 16.3% due to the reduction in the pension and OPEB liabilities, employee tuition waiver and bond issuance fees.
- Information technology expenses decreased by approximately \$174,000 or 9.8% due to the reduction in the pension and OPEB liabilities and reduced spending on minor equipment.

BAY DE NOC COMMUNITY COLLEGE

Management's Discussion and Analysis

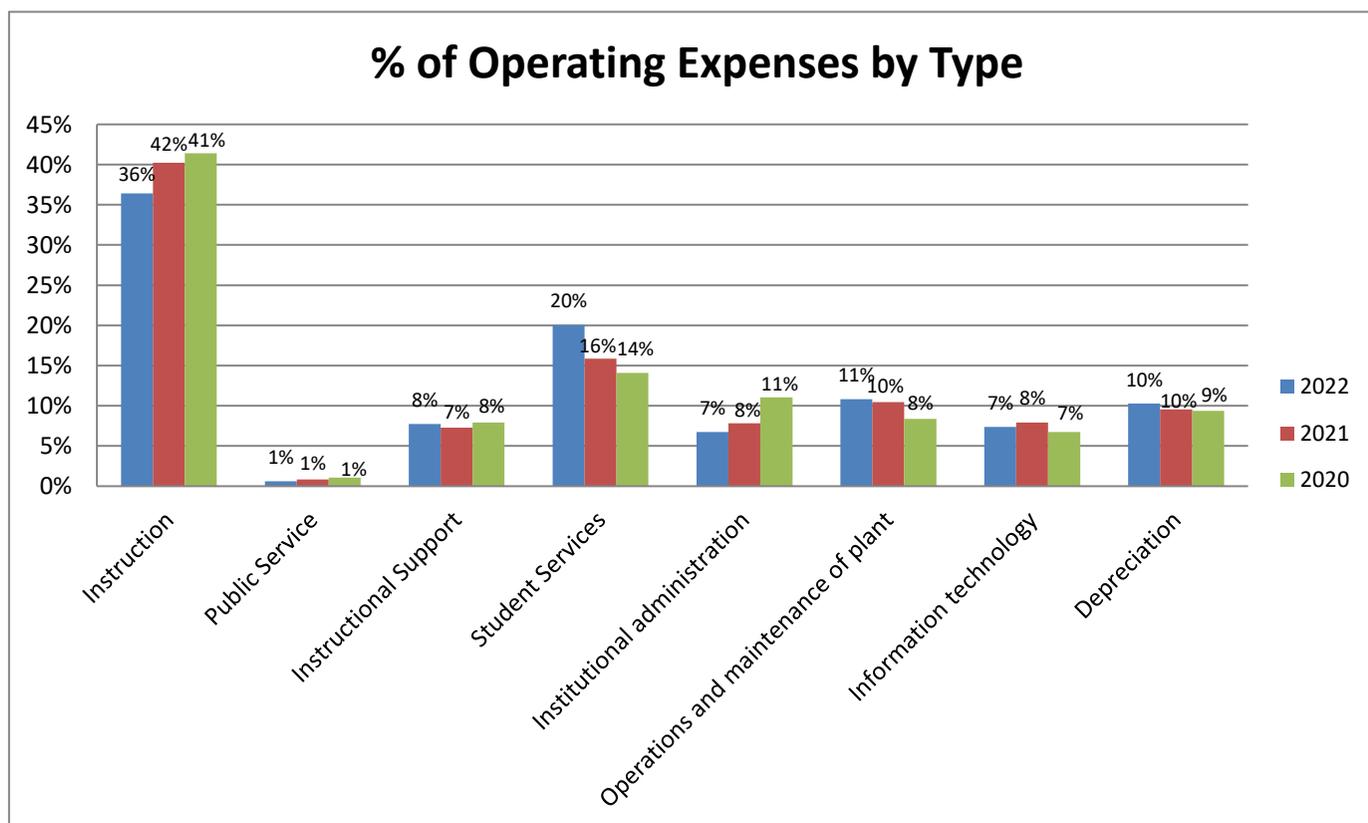
Changes in operating expenses from 2020 to 2021 were a result of the following factors:

- Instruction expenses decreased by approximately \$531,000, or 5.6% as a result of a reduction in full time faculty salaries due to several retirements, the temporary suspension of the Supplemental Instruction program, a reduction in Workforce Development trainings because of the pandemic and a reduction in the unfunded defined benefit pension and OPEB liabilities.
- Instructional support expenses decreased by approximately \$193,000 or 10.5% due to a vacant position and another position that is now reporting under student services.
- Student services expenses increased by approximately \$310,000, or 9.6%, as a result of increased emergency grants to students (funded under the CARES Act) and increased dual enrollment tuition discounts and Foundation scholarships.
- Institutional administration expenses decreased by approximately \$795,000 or 31.2% as a result of the receipt of CARES Act funding to cover Covid-19 related expenses.
- Operations and maintenance of plant expenses increased by approximately \$417,000 or 21.7% due to increased costs caused by the Covid-19 pandemic.
- Information technology expense increased by approximately \$220,000 or 14.1% due to increased license fees and increased purchases of PC's and other hardware to aid in the transition to online learning, teaching and working.



BAY DE NOC COMMUNITY COLLEGE

Management's Discussion and Analysis



Statements of Cash Flows

The statements of cash flows provide another way to assess the financial health of the College. The primary purpose of these statements is to provide relevant information about the cash receipts and cash payments of an institution during a year. The statements of cash flows also help users assess:

- Ability to generate future net cash flows
- Ability to meet its obligations as they come due
- Needs for external financing

	Statements of Cash Flows		
	2022	2021	2020
Net cash used in operating activities	\$(15,176,072)	\$(12,756,586)	\$(12,499,652)
Net cash provided by noncapital financing activities	16,937,135	15,458,101	15,342,631
Net cash used in capital and related financing activities	(4,450,748)	(712,511)	(2,843,033)
Net cash provided by investing activities	72,632	86,143	73,598
(Decrease) increase in cash and cash equivalents	(2,617,053)	2,075,147	73,544
Cash and cash equivalents, beginning of year	10,185,658	8,110,511	8,036,967
Cash and cash equivalents, end of year	\$ 7,568,605	\$ 10,185,658	\$ 8,110,511

BAY DE NOC COMMUNITY COLLEGE

Management's Discussion and Analysis

Changes in cash flows from 2021 to 2022 were a result of the following factors:

- The College receives the majority of its operating funds from student tuition and fees and grants and contracts. These sources are offset by expenditures for operations such as payments to employees and suppliers. Net cash used in operating activities increased by approximately \$2.4 million from 2021 to 2022 as a result of a decrease in tuition and fees receipts, an increase in payments to suppliers and an increase in other operating payments.
- Net cash provided by noncapital financing activities increased by approximately \$1.5 million from 2021 due to an increase in state appropriations and the Federal Higher Education Emergency Relief Funds grant along with a lower contribution to the YMCA.
- Net cash used in capital and related financing activities increased by approximately \$3.7 million due to higher capital spending and no new facility bond proceeds.

Changes in cash flows from 2020 to 2021 were a result of the following factors:

- The College receives the majority of its operating funds from student tuition and fees and grants and contracts. These sources are offset by expenditures for operations such as payments to employees and suppliers. Net cash used in operating activities increased by approximately \$256,000 from 2020 to 2021. An increase in tuition and fees and grants and contracts receipts and a decrease in payments to suppliers was offset by an increase in payments to employees and a decrease in other operating receipts.
- Net cash provided by noncapital financing activities increased by approximately \$115,000 from 2020. \$1.663 million received from the Federal Higher Education Emergency Relief Funds and Federal Coronavirus Relief Fund grants was mostly offset by reductions in State appropriations, and Federal Pell grants.
- Net cash used in capital and related financing activities decreased by approximately \$2.1 million due to proceeds from the issuance of facility bonds partially offset by an increase in the purchase of capital assets.

BAY DE NOC COMMUNITY COLLEGE

Management's Discussion and Analysis

Capital Assets

As of June 30, 2022, the College had \$32.3 million in capital assets, net of accumulated depreciation.

	Balance July 1, 2021	Additions	Retirements	Transfers	Balance June 30, 2022
Capital assets not being depreciated:					
Land	\$ 1,321,225	\$ -	\$ -	\$ -	\$ 1,321,225
Construction in progress	2,486,143	1,407,386	-	(2,018,426)	1,875,103
Subtotal, non depreciable assets	3,807,368	1,407,386	-	(2,018,426)	3,196,328
Capital assets being depreciated:					
Land improvements	1,996,295	39,921	-	-	2,036,216
Infrastructure	265,180	-	-	-	265,180
Building and building improvements	49,499,142	1,190,096	(20,929)	2,018,426	52,686,735
Furniture, fixtures and equipment	24,275,378	267,747	(287,872)	-	24,255,253
Library materials	779,613	-	-	-	779,613
Vehicles	264,210	46,615	(48,604)	-	262,221
Subtotal, depreciable capital assets	77,079,818	1,544,379	(357,405)	2,018,426	80,285,218
Total capital assets	80,887,186	2,951,765	(357,405)	-	83,481,546
Less accumulative depreciation:					
Land improvements	1,664,726	78,222	-	-	1,742,948
Infrastructure	238,586	15,710	-	-	254,296
Building and building improvements	24,736,316	1,334,725	(20,929)	-	26,050,112
Furniture, fixtures and equipment	21,651,862	786,754	(287,873)	-	22,150,743
Library materials	779,613	-	-	-	779,613
Vehicles	207,815	11,757	(13,308)	-	206,264
Total accumulative depreciation	49,278,918	2,227,168	(322,110)	-	51,183,976
Net depreciable capital assets	27,800,900	(682,789)	(35,295)	2,018,426	29,101,242
Capital assets, net	<u>\$ 31,608,268</u>				<u>\$ 32,297,570</u>

BAY DE NOC COMMUNITY COLLEGE

Management's Discussion and Analysis

As of June 30, 2021, the College had \$31.6 million in capital assets, net of accumulated depreciation.

	Balance July 1, 2020	Additions	Retirements	Transfers	Balance June 30, 2021
Capital assets not being depreciated:					
Land	\$ 1,321,225	\$ -	\$ -	\$ -	\$ 1,321,225
Construction in progress	35,234	2,450,909	-	-	2,486,143
Subtotal, non depreciable assets	1,356,459	2,450,909	-	-	3,807,368
Capital assets being depreciated:					
Land improvements	1,990,913	5,382	-	-	1,996,295
Infrastructure	265,180	-	-	-	265,180
Building and building improvements	49,439,414	61,200	(1,472)	-	49,499,142
Furniture, fixtures and equipment	23,793,970	523,438	(42,030)	-	24,275,378
Library materials	779,613	-	-	-	779,613
Vehicles	319,925	48,604	(98,319)	-	270,210
Subtotal, depreciable capital assets	76,589,015	638,624	(141,821)	-	77,085,818
Total capital assets	77,945,474	3,089,533	(141,821)	-	80,893,186
Less accumulative depreciation:					
Land improvements	1,587,635	77,091	-	-	1,664,726
Infrastructure	221,878	16,708	-	-	238,586
Building and building improvements	23,520,097	1,216,219	-	-	24,736,316
Furniture, fixtures and equipment	20,900,179	817,216	(65,533)	-	21,651,862
Library materials	779,613	-	-	-	779,613
Vehicles	269,924	14,179	(76,288)	-	207,815
Total accumulative depreciation	47,279,326	2,141,413	(141,821)	-	49,278,918
Net depreciable capital assets	29,303,689	(1,502,789)	-	-	27,800,900
Capital assets, net	<u>\$ 30,660,148</u>				<u>\$ 31,608,268</u>

Debt

The College had approximately \$13,544,000 in bond debt outstanding at June 30, 2022. Debt principal repayments of approximately \$1,066,000 were made on this debt during the year. More detailed information about the College's long-term liabilities is presented in the notes to the financial statements.

BAY DE NOC COMMUNITY COLLEGE

Management's Discussion and Analysis

Economic Factors

The Upper Peninsula (UP) of Michigan is comprised of 15 rural counties and continues to experience significant economic hardship. Bay College's geographic location places us in the central UP where there is a manufacturing corridor desperately seeking a trained and skilled workforce to not only sustain but to grow operations. Bay College's mission includes providing the ability for jobseekers to earn credentials leading to high-skill, high wage, self-sustaining employment while also allowing for training of current employees seeking advanced skills within the manufacturing sectors. Short-term programs and trainings will allow for a faster entry into the workforce thus supporting economic growth locally and regionally.

By 2025, 6 in 10 jobs will require an education beyond high school. This means Bay College needs to educate more students than ever before with trainings, courses and short-term credentials and programs in areas such as Water Technology, Mechatronics & Robotics, Welding, Machining, Computer Aided Design, Computer Numerical Control, Smart Automation Certification Alliance, Occupational Safety and Health Administration, Michigan Occupational Safety and Health Administration, Safety Rigging, and Mine Safety Training.

Competency Based Education (CBE) is a major focus for the College which will directly support Michigan's 60 by 30 goal of increasing the number of working-age adults with a skill certificate or college degree from 49% today to 60% by 2030. CBE is focused on actual student learning, and the application of that learning, rather than time spent in a class/on material. Learners' progress is measured when they demonstrate their competence through a system of rigorous assessments, meaning they prove they have mastered the knowledge and skills required for a particular competency or area of study. Bay College is in the process of receiving approval from the Higher Learning Commission (HLC) to deliver its first CBE program in Water Technology. While pending HLC approval, Bay College administration, faculty and staff continue to learn and prepare for the launch of CBE. This includes course review and re-design of student learning outcomes to focus on assessment and competency. It includes internal process review to include student advising and IT structures. Bay College has invested in the CBE Module within the Jenzabar enterprise resource planning software to support CBE. CBE is part of the College's Strategic Plan and is fully supported by the Board of Trustees.

Enrollment (billable contact hours) for Fall 2022 fell by 1,235 or 6.6% compared to Fall 2020 from 18,737 to 17,502. By contrast student head count rose by 71 or 3.7% over the same time period from 1,898 to 1,969. This is the result of the Michigan Reconnect program which offers free tuition at community colleges to in-district students age 25 and over working toward an associate degree or Pell-eligible skill certificate. The influx of these non-traditional students has shifted the full-time vs. part-time ratio. Currently 71% of Bay students are attending on a part-time basis while 29% attend on a full-time basis. The College also continues to see a shift to online learning. For Fall 2022 51.8% of all courses are held online compared to 46.1% Fall 2021 and 44.8% Fall 2020.

The Bay de Noc Community College Foundation plays a vital role in the success of the College. Organized as a non-profit corporation in 1972, its purpose is to actively promote the educational and community benefits provided by the College and to encourage gifts and contributions to the Foundation as a means of directly supporting the College and providing financial support to students. With Net Assets of \$12,334,985 at June 30, 2022, it provided \$578,328 in scholarships to Bay College students and \$76,286 in equipment and program support to the College for the 21-22 fiscal year.

FINANCIAL STATEMENTS

BAY DE NOC COMMUNITY COLLEGE

Statements of Net Position

	June 30	
	2022	2021
Assets		
Current assets		
Cash and cash equivalents	\$ 5,658,278	\$ 7,032,761
Cash-restricted for capital improvements	1,248,020	2,490,590
Student receivables, net	82,061	72,375
State appropriations receivable	1,205,207	1,187,248
Grants receivable	890,820	483,952
Due from component unit	143,718	151,113
Other receivables, net	344,788	47,835
Prepays and other current assets	681,530	590,676
Total current assets	10,254,422	12,056,550
Noncurrent assets		
Cash-restricted for debt repayment	662,307	662,307
Capital assets not being depreciated	3,196,328	3,807,368
Capital assets being depreciated, net	29,101,242	27,800,900
Total noncurrent assets	32,959,877	32,270,575
Total assets	43,214,299	44,327,125
Deferred outflows of resources		
Deferred pension amounts	2,239,262	3,709,094
Deferred OPEB amounts	881,103	1,224,653
Total deferred outflows of resources	3,120,365	4,933,747
Liabilities		
Current liabilities		
Accounts payable	352,161	1,203,047
Accrued payroll and related liabilities	1,266,562	1,241,739
Unearned revenue	331,021	287,317
Interest payable	47,441	51,669
Other current liabilities	355,149	322,810
Current portion of accrued employee benefits payable	29,226	299,065
Current portion of long-term debt	1,096,026	1,066,475
Total current liabilities	3,477,586	4,472,122
Noncurrent liabilities		
Long-term debt, net of current portion	12,448,338	13,544,177
Accrued employee benefits payable, net of current portion	483,503	488,372
Net pension liability	11,323,723	17,889,586
Net OPEB liability	689,384	2,637,854
Total noncurrent liabilities	24,944,948	34,559,989
Total liabilities	28,422,534	39,032,111
Deferred inflows of resources		
Deferred pension amounts	6,096,190	1,794,856
Deferred OPEB amounts	3,256,853	2,516,789
Total deferred inflows of resources	9,353,043	4,311,645
Net position		
Net investment in capital assets	20,001,226	19,488,206
Restricted	662,307	662,307
Unrestricted deficit (Note 1)	(12,104,446)	(14,233,397)
Total net position	\$ 8,559,087	\$ 5,917,116

The accompanying notes are an integral part of these financial statements.

BAY DE NOC COMMUNITY COLLEGE

Statements of Revenues, Expenses and Changes in Net Position

	Year Ended June 30	
	2022	2021
Operating revenues		
Tuition and fees	\$ 9,025,967	\$ 8,921,641
Scholarship allowance	(3,022,976)	(2,475,389)
Net tuition and fees	6,002,991	6,446,252
Federal grants and contracts	659,433	767,877
State and local grants and contracts	50,667	58,486
Sales and service of auxiliary activities, net of scholarship allowance of \$41,738 (\$71,738 for 2021)	261,893	252,699
Other operating revenues	251,986	200,947
Total operating revenues	7,226,970	7,726,261
Operating expenses		
Instruction	7,898,248	9,000,378
Public service	132,593	190,937
Instructional support	1,673,390	1,630,422
Student services	4,343,010	3,549,926
Institutional administration	1,465,311	1,750,650
Operations and maintenance of plant	2,345,060	2,338,657
Information technology	1,599,689	1,773,441
Depreciation	2,227,168	2,141,413
Total operating expenses	21,684,469	22,375,824
Operating loss	(14,457,499)	(14,649,563)
Nonoperating revenues (expenses)		
State appropriations	6,823,030	6,823,818
Property tax levy	4,047,276	3,939,105
Property taxes from Dickinson County	1,146,900	1,135,863
Federal Pell grants	2,412,923	2,449,475
Federal Higher Education Emergency Relief Funds grant	2,819,689	1,045,128
Federal Coronavirus Relief Fund grant	-	627,900
Support from component unit	605,213	599,308
Private gifts, grants and contracts	209,708	394,177
Contributions to the YMCA	(620,000)	(850,000)
Interest income	72,632	86,143
(Loss) gain on disposal of capital assets	(5,296)	4,235
Interest on capital asset - related debt	(412,605)	(419,829)
Net nonoperating revenues	17,099,470	15,835,323
Increase in net position	2,641,971	1,185,760
Net position, beginning of year	5,917,116	4,731,356
Net position, end of year	\$ 8,559,087	\$ 5,917,116

The accompanying notes are an integral part of these financial statements.

BAY DE NOC COMMUNITY COLLEGE

Statements of Cash Flows

	Year Ended June 30	
	2022	2021
Cash flows from operating activities		
Tuition and fees	\$ 6,077,158	\$ 6,483,471
Grants and other contracts	805,984	631,991
Auxiliary activities and other revenue	261,893	252,699
Payments to employees	(9,144,399)	(9,039,402)
Payments to suppliers	(13,164,080)	(11,267,830)
Other operating (payments) receipts, net	(12,628)	182,485
Net cash used in operating activities	(15,176,072)	(12,756,586)
Cash flows from noncapital financing activities		
State appropriations	6,805,071	6,189,089
Local property taxes and Dickinson County	5,194,176	5,074,968
Federal Pell grants	2,412,923	2,449,475
Federal Higher Education Emergency Relief Funds grant	2,322,649	1,034,916
Federal Coronavirus Relief Fund grant	-	627,900
Federal direct lending receipts	2,623,318	2,624,083
Federal direct lending disbursements	(2,623,318)	(2,624,083)
Gifts and donations	822,316	931,753
Contributions to YMCA	(620,000)	(850,000)
Net cash provided by noncapital financing activities	16,937,135	15,458,101
Cash flows from capital and related financing activities		
Purchase of capital assets	(2,951,765)	(2,162,787)
Proceeds from sale of capital assets	-	4,235
Principal paid on long-term debt	(1,060,000)	(1,030,000)
Interest paid on capital asset - related debt	(438,983)	(418,296)
Proceeds from issuance of facility bonds	-	2,894,337
Net cash used in capital and related financing activities	(4,450,748)	(712,511)
Cash flows provided by investing activities		
Interest received on bank deposits	72,632	86,143
Net (decrease) increase in cash and cash equivalents	(2,617,053)	2,075,147
Cash and cash equivalents, beginning of year	10,185,658	8,110,511
Cash and cash equivalents, end of year	\$ 7,568,605	\$ 10,185,658
Reconciliation to statements of net position		
Cash and cash equivalents	\$ 5,658,278	\$ 7,032,761
Cash-restricted for capital improvements	1,248,020	2,490,590
Cash-restricted for debt repayment	662,307	662,307
Cash and cash equivalents, end of year	\$ 7,568,605	\$ 10,185,658

continued...

BAY DE NOC COMMUNITY COLLEGE

Statements of Cash Flows (Concluded)

	Year Ended June 30	
	2022	2021
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (14,457,499)	\$ (14,649,563)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	2,227,168	2,141,413
Change in operating assets and liabilities which provided (used) cash:		
Student receivables	(9,686)	(15,663)
Grants receivable	90,172	(187,351)
Other receivables	(296,953)	(30,125)
Prepays and other current assets	(90,854)	(788)
Accounts payable	(850,886)	(113,006)
Accrued payroll and related liabilities	24,823	11,904
Unearned revenue	89,565	45,861
Accrued employee benefits payable	(274,708)	(179,545)
Other current liabilities	32,339	11,663
Change in net pension liability	(6,565,863)	(713,003)
Change in net OPEB liability	(1,948,470)	(1,247,207)
Change in pension deferred inflow	4,301,334	19,708
Change in OPEB deferred inflow	740,064	756,851
Change in pension deferred outflows	1,469,832	1,417,475
Change in OPEB deferred outflows	343,550	(25,210)
Net cash used in operating activities	<u>\$ (15,176,072)</u>	<u>\$ (12,756,586)</u>

concluded

The accompanying notes are an integral part of these financial statements.

BAY DE NOC COMMUNITY COLLEGE FOUNDATION - Component Unit

Statements of Financial Position

	June 30	
	2022	2021
Assets		
Cash and cash equivalents	\$ 1,253,437	\$ 1,133,362
Accrued income receivable and other assets	50,102	40,915
Contributions receivable	17,513	205,467
Investments	9,674,180	11,096,680
Beneficial interest in trust assets	1,996,698	2,253,520
Beneficial interest in charitable remainder trusts	176,511	97,208
Total assets	<u>\$ 13,168,441</u>	<u>\$ 14,827,152</u>
Liabilities and Net Assets		
Liabilities		
Accrued expenses	\$ 10,500	\$ 10,500
Due to Bay de Noc Community College	143,718	151,113
Deferred revenue	27,195	25,725
Due to William Bonifas Fine Arts Center	652,043	806,106
Total liabilities	<u>833,456</u>	<u>993,444</u>
Net assets		
Without donor restrictions	1,009,812	1,067,659
With donor restrictions	11,325,173	12,766,049
Total net assets	<u>12,334,985</u>	<u>13,833,708</u>
Total liabilities and net assets	<u>\$ 13,168,441</u>	<u>\$ 14,827,152</u>

The accompanying notes are an integral part of these financial statements.

BAY DE NOC COMMUNITY COLLEGE FOUNDATION - Component Unit

Statements of Revenues, Expenses, and Changes in Net Assets

	Year Ended June 30	
	2022	2021
Support and gains (losses)		
Contributions	\$ 674,319	\$ 591,242
Investment (loss) income, net	(1,294,015)	1,953,628
(Loss) gain on beneficial interest in trusts	(181,979)	349,142
Total support and gains (losses)	<u>(801,675)</u>	<u>2,894,012</u>
Expenses		
Program:		
Scholarships	578,328	524,011
Other	76,286	105,478
Supporting services	185,476	139,417
Total expenses	<u>840,090</u>	<u>768,906</u>
Change in net assets before equity transfer from Bay de Noc Community College	(1,641,765)	2,125,106
Equity transfer from Bay de Noc Community College	143,042	125,449
Change in net assets	(1,498,723)	2,250,555
Net assets, beginning of year	13,833,708	11,583,153
Net assets, end of year	<u>\$ 12,334,985</u>	<u>\$ 13,833,708</u>

The accompanying notes are an integral part of these financial statements.

BAY DE NOC COMMUNITY COLLEGE

Notes to Financial Statements

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Bay de Noc Community College (the "College") is a Michigan community college located in Delta County in the Upper Peninsula of Michigan, with a second campus located 54 miles west in Dickinson County, Michigan.

The accompanying financial statements as of and for the years ended June 30, 2022 and 2021 include the accounts of all funds of the College and Bay de Noc Community College Foundation (the "Foundation"). The Foundation is considered a component unit of the College in accordance with Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus*. The College reports financial information for the Foundation using a discrete rather than blended presentation because certain criteria are met, including the individual trustees of the Foundation are independently appointed by the Foundation's Board of Trustees. The Foundation is considered a component unit because the Foundation provides support entirely, or almost entirely, to the College through financial support to students.

The Foundation is a private nonprofit organization that reports under Financial Accounting Standards Board (FASB) standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences. A copy of the Foundation's separately issued financial statements may be obtained by contacting the Foundation Office at the College.

Risks and Economic Uncertainties

The outbreak of a novel coronavirus (COVID-19), which the World Health Organization declared in March 2020 to be a pandemic, continues to spread throughout the United States of America and the globe. Due to the pandemic, Michigan's Governor issued temporary Executive Orders that, among other stipulations, effectively prohibited certain in-person activities while requiring numerous safety measures and protocols to be met in order to resume in person learning, having the effect of suspending or severely curtailing certain operations including on-campus learning during the spring/summer/fall 2020 semesters. The extent of the ultimate impact of the pandemic on the College's operational and financial performance will depend on various developments, including the duration and spread of the outbreak, and its impact on funders, students, employees, and vendors, all of which cannot be reasonably predicted at this time. In response to the pandemic, the College was awarded \$4,945,431 during 2021 from the Coronavirus Response and Relief Supplemental Appropriations Act and American Rescue Plan Act. The College recognized revenue from these awards of \$2,819,689 and \$1,045,128 during 2022 and 2021, respectively. The College was additionally awarded funding in the amount of \$627,900 through the Coronavirus Relief Fund, which was recognized in fiscal 2021. While management reasonably expects the COVID-19 outbreak to impact the College's financial condition, operating results, and timing and amounts of cash flows, the related financial consequences and duration are highly uncertain.

Basis of Presentation

The College's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the GASB, including Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities* and the *State of Michigan Manual for Uniform Financial Reporting - Michigan Public Community Colleges, 2001*. The College follows all applicable GASB pronouncements and the "business-type activities" reporting requirements of GASB Statement No. 35, which provides a comprehensive one-line look at the College's financial activities.

Notes to Financial Statements

Significant Accounting Policies

Significant accounting policies followed by the College are described below to enhance the usefulness of the financial statements to the reader:

Accrual Basis

The financial statements of the College have been presented using the economic resources measurement focus on the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when the related liabilities are incurred and certain measurement and matching criteria are met.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates. Significant estimates include but are not limited to the assumptions used to estimate the accrued employee benefits payable, and the assumptions based on historical trends and industry standards used in the actuarial valuations of the MPSERS pension and OPEB plans.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, cash in banks, and all highly liquid investments with an initial maturity of three months or less.

Cash-Restricted for Capital Improvements and Debt

Cash restricted for capital improvements consists of the unspent cash proceeds from the Facility Bonds issuances in 2020 and 2018, which are held in a deposit account and restricted for capital renovations to multiple buildings on campus. Cash restricted for debt consists of funds received from the Hannahville Indian Community to be used for payments of the 2018 facilities bonds (see Note 4).

Accounts Receivable

Accounts receivable resulting from Federal and State grants, State appropriations, and student tuition consist of revenues earned, but not received as of year-end. A bad debt allowance is established based on a specific assessment of all invoices that remain unpaid following normal student payment periods. In addition, a general valuation allowance is established for student accounts receivable and other receivables based on historical loss experience and knowledge of specifically uncollectible items. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to the bad debt allowance based on its assessment. Balances that are still outstanding after management has used reasonable collection efforts are written off. The bad debt allowance for student receivables was approximately \$190,000 and \$164,000 at June 30, 2022 and 2021, respectively. The bad debt allowance for other receivables was approximately \$1,600 for June 30, 2022 and 2021.

BAY DE NOC COMMUNITY COLLEGE

Notes to Financial Statements

Capital Assets and Depreciation

Capital assets are recorded at cost and include amounts paid for new facilities and equipment and for significant improvements to existing facilities. Depreciation is computed using the straight-line method over the useful life of the asset. No depreciation is recorded on land. Expenditures for major renewals and betterments that extend the useful lives are capitalized while expenditures for routine repairs and maintenance are expensed as incurred. Donated capital assets are recorded at estimated acquisition value at the time of the donation. The College does have an art collection made up of various purchased and donated works of art. It is the College's policy not to capitalize this collection as a result of the collection being held for public exhibition and education and not for financial gains. Management reviews these capital assets to determine whether carrying values have been impaired. The following estimated useful lives are used to compute depreciation:

Buildings and building improvements	30-40 years
Library materials	10 years
Land improvements and infrastructure	15 years
Furniture, fixtures and equipment	5-10 years
Vehicles	5-7 years

Unearned Revenue

Revenue received prior to year-end, which is related to the next fiscal period, is recorded as unearned revenue. Unearned revenue relates primarily to summer-term tuition received prior to June 30 and grant and award monies received in excess of costs incurred as of year-end for College programs financed by government agencies and other organizations.

Deferred Outflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to one or more future periods and so will not be recognized as an outflow of resources (expense) until then. The College reports deferred outflows of resources for certain pension and other postemployment benefits ("OPEB")-related amounts. More detailed information can be found in Note 6.

Deferred Inflows of Resources

In addition to liabilities, the statements of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The College reports deferred inflows of resources for certain pension and OPEB-related amounts. More detailed information can be found in Note 6.

Pension and Other Postemployment Benefits ("OPEB") Liabilities

For purposes of measuring the net pension and OPEB liability, deferred outflows of resources and deferred inflows of resources related to pension and OPEB, pension and OPEB expense, information about the fiduciary net position of the Plan and additions to/deductions from the plan fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

BAY DE NOC COMMUNITY COLLEGE

Notes to Financial Statements

Revenue Recognition

The College generally follows the revenue recognition methods set forth in the *Manual For Uniform Financial Reporting—Michigan Public Community Colleges, 2001*. In general, revenues are recognized when earned and expenditures are recognized when the service is provided. Property taxes are recorded as revenue in the year taxes are levied. Under this method, revenue for fiscal year 2022 includes property taxes that were levied on July 1, 2021 and December 1, 2021, which are generally collected before March 1, 2022. Uncollected real property taxes of the College are turned over to Delta County for subsequent collection. State appropriations are recorded as revenue in the period for which they are appropriated. Changes to State appropriations are recorded in the College's fiscal year in which the changes are approved by the State legislature.

Operating revenues of the College consist of tuition and fees, grants and contracts, auxiliary enterprise revenues, and other revenues related to services provided for students. Tuition and fees and auxiliary enterprise revenues are reported net of scholarship allowances. Transactions related to capital financing activities, noncapital financing activities, investing activities, State appropriations, property taxes, Federal Higher Education Emergency Relief Fund ("HEERF") grant revenue, Federal Coronavirus Relief Fund grant revenue, and Federal Pell grants are components of nonoperating income. When both general purpose and restricted revenues are available for use, it is the College's policy to use restricted resources first. Gifts are recorded at estimated fair value when received.

The College does not recognize as revenue sources held for others, such as Federal Direct Loans, where the College serves only as a conduit.

Operating Expenses

The College reports operating expenses by function on the statements of revenues, expenses and changes in net position. The following table shows operating expenses by natural class for the years ended June 30:

	2022	2021
Salaries and wages	\$ 9,758,666	\$ 9,630,710
Benefits	5,216,668	5,210,374
Capital under \$5,000	204,394	294,181
Pell and other scholarships	1,060,108	1,067,976
Professional services	946,813	970,994
Rent, utilities and insurance	1,238,066	1,029,791
Supplies and materials	546,095	650,924
Travel and professional development	398,482	1,271,842
Bad debt expense	88,009	107,619
Depreciation	2,227,168	2,141,413
Total operating expenses	\$ 21,684,469	\$ 22,375,824

BAY DE NOC COMMUNITY COLLEGE

Notes to Financial Statements

Net Position

Elements of net position are classified according to the external grantor restrictions or availability of assets for satisfaction of College obligations. Net Investment in Capital Assets represents capital assets, net of accumulated depreciation, restricted cash for capital improvements and outstanding principal balances of debt attributable to the acquisition, construction, or improvements of those assets.

The unrestricted net deficit of the College is comprised of the following as of June 30:

	2022	2021
Auxiliary fund	\$ 1,300,354	\$ 1,389,128
Plant fund	(11,781,479)	(9,520,400)
Pension and OPEB liability fund	(18,245,785)	(19,905,338)
Undesignated	16,622,464	13,803,213
Total unrestricted net deficit	\$ (12,104,446)	\$ (14,233,397)

Internal Services Activities

Both revenue and expenses related to internal service activities have been eliminated.

Change in Accounting Principle

For 2022, the College implemented Governmental Accounting Standards Board (GASB) Statement No. 87, Leases. The standard requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The implementation of the standard effective July 1, 2021, did not have an impact on the College's basic financial statements or disclosures.

2. CASH AND CASH EQUIVALENTS

College Deposits and Investments

State of Michigan ("State") statutes authorize the College to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, or National Credit Union Administration, respectively; and in commercial paper of corporations located in this state rated prime by at least one of the standard rating services.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the deposits may not be returned. The College does not have a policy for custodial credit risk. However, management believes that cash balances are maintained at high quality financial institutions.

At June 30, 2022 and 2021, the carrying amount of cash deposits at banks for the College totaled \$7,568,605 and \$10,185,658, respectively, while the bank balances totaled \$7,565,583 and \$10,218,566, respectively. Of the bank balances, \$500,000 was insured at both June 30, 2022 and 2021, and the remaining \$7,065,583 and \$9,718,566, respectively, was uninsured and uncollateralized.

BAY DE NOC COMMUNITY COLLEGE

Notes to Financial Statements

3. CAPITAL ASSETS

The following presents the changes in the various capital asset categories for the year ended June 30, 2022:

	Balance July 1, 2021	Additions	Retirements	Transfers	Balance June 30, 2022
Capital assets not being depreciated:					
Land	\$ 1,321,225	\$ -	\$ -	\$ -	\$ 1,321,225
Construction in progress	2,486,143	1,407,386	-	(2,018,426)	1,875,103
Subtotal, nondepreciable capital assets	3,807,368	1,407,386	-	(2,018,426)	3,196,328
Capital assets being depreciated:					
Land improvements	1,996,295	39,921	-	-	2,036,216
Infrastructure	265,180	-	-	-	265,180
Building and building improvements	49,499,142	1,190,096	(20,929)	2,018,426	52,686,735
Furniture, fixtures and equipment	24,275,378	267,747	(287,872)	-	24,255,253
Library materials	779,613	-	-	-	779,613
Vehicles	264,210	46,615	(48,604)	-	262,221
Subtotal, depreciable capital assets	77,079,818	1,544,379	(357,405)	2,018,426	80,285,218
Less accumulated depreciation:					
Land improvements	1,664,726	78,222	-	-	1,742,948
Infrastructure	238,586	15,710	-	-	254,296
Building and building improvements	24,736,316	1,334,725	(20,929)	-	26,050,112
Furniture, fixtures and equipment	21,651,862	786,754	(287,873)	-	22,150,743
Library materials	779,613	-	-	-	779,613
Vehicles	207,815	11,757	(13,308)	-	206,264
Total accumulated depreciation	49,278,918	2,227,168	(322,110)	-	51,183,976
Net depreciable capital assets	27,800,900	\$ (682,789)	\$ (35,295)	\$ 2,018,426	29,101,242
Capital assets, net	\$ 31,608,268				\$ 32,297,570

Construction in progress relates to renovations to enhance the College's facilities. The total expected costs to complete are approximately \$6,046,000.

BAY DE NOC COMMUNITY COLLEGE

Notes to Financial Statements

The following presents the changes in the various capital asset categories for the year ended June 30, 2021:

	Balance July 1, 2020	Additions	Retirements	Transfers	Balance June 30, 2021
Capital assets not being depreciated:					
Land	\$ 1,321,225	\$ -	\$ -	\$ -	\$ 1,321,225
Construction in progress	35,234	2,450,909	-	-	2,486,143
Subtotal, nondepreciable capital assets	1,356,459	2,450,909	-	-	3,807,368
Capital assets being depreciated:					
Land improvements	1,990,913	5,382	-	-	1,996,295
Infrastructure	265,180	-	-	-	265,180
Building and building improvements	49,439,414	61,200	(1,472)	-	49,499,142
Furniture, fixtures and equipment	23,793,970	523,438	(42,030)	-	24,275,378
Library materials	779,613	-	-	-	779,613
Vehicles	313,925	48,604	(98,319)	-	264,210
Subtotal, depreciable capital assets	76,583,015	638,624	(141,821)	-	77,079,818
Less accumulated depreciation:					
Land improvements	1,587,635	77,091	-	-	1,664,726
Infrastructure	221,878	16,708	-	-	238,586
Building and building improvements	23,520,097	1,216,219	-	-	24,736,316
Furniture, fixtures and equipment	20,900,179	817,216	(65,533)	-	21,651,862
Library materials	779,613	-	-	-	779,613
Vehicles	269,924	14,179	(76,288)	-	207,815
Total accumulated depreciation	47,279,326	2,141,413	(141,821)	-	49,278,918
Net depreciable capital assets	29,303,689	(1,502,789)	-	-	27,800,900
Capital assets, net	\$ 30,660,148				\$ 31,608,268

BAY DE NOC COMMUNITY COLLEGE

Notes to Financial Statements

4. LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended June 30, 2022 are as follows:

	Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022	Current Portion
Bonds payable					
Facilities bonds of 2015	\$ 2,670,000	\$ -	\$ (170,000)	\$ 2,500,000	\$ 175,000
Refunding facilities bonds of 2016	2,675,000	-	(420,000)	2,255,000	430,000
Facilities bonds of 2016	3,665,000	-	(225,000)	3,440,000	235,000
Facility bonds of 2018	2,870,000	-	(85,000)	2,785,000	85,000
Facility bonds of 2020	2,640,000	-	(160,000)	2,480,000	165,000
Bond premium	90,652	-	(6,288)	84,364	6,026
Total bonds payable	<u>14,610,652</u>	<u>-</u>	<u>(1,066,288)</u>	<u>13,544,364</u>	<u>1,096,026</u>
Other long-term obligations					
Employee severance plan (Note 8)	328,291	-	(299,065)	29,226	29,226
Other accrued employee benefits payable (Note 6)	459,146	24,357	-	483,503	-
	<u>787,437</u>	<u>24,357</u>	<u>(299,065)</u>	<u>512,729</u>	<u>29,226</u>
Total long-term obligations	<u>\$ 15,398,089</u>	<u>\$ 24,357</u>	<u>\$ (1,365,353)</u>	<u>\$ 14,057,093</u>	<u>\$ 1,125,252</u>

BAY DE NOC COMMUNITY COLLEGE

Notes to Financial Statements

Changes in long-term liabilities for the year ended June 30, 2021 are as follows:

	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021	Current Portion
Bonds payable					
Facilities bonds of 2015	\$ 2,835,000	\$ -	\$ (165,000)	\$ 2,670,000	\$ 170,000
Refunding facilities bonds of 2016	3,080,000	-	(405,000)	2,675,000	420,000
Facilities bonds of 2016	3,885,000	-	(220,000)	3,665,000	225,000
Facility bonds of 2018	2,950,000	-	(80,000)	2,870,000	85,000
Facility bonds of 2020	-	2,800,000	(160,000)	2,640,000	160,000
Bond premium	-	94,337	(3,685)	90,652	6,475
Total bonds payable	<u>12,750,000</u>	<u>2,894,337</u>	<u>(1,033,685)</u>	<u>14,610,652</u>	<u>1,066,475</u>
Other long-term obligations					
Employee severance plan (Note 8)	539,677	58,453	(269,839)	328,291	299,065
Other accrued employee benefits payable (Note 6)	427,305	31,841	-	459,146	-
	<u>966,982</u>	<u>90,294</u>	<u>(269,839)</u>	<u>787,437</u>	<u>299,065</u>
Total long-term obligations	<u>\$ 13,716,982</u>	<u>\$ 2,984,631</u>	<u>\$ (1,303,524)</u>	<u>\$ 15,398,089</u>	<u>\$ 1,365,540</u>

The proceeds from the 2015 Facilities Bonds were used for costs related to a multi-building campus renovation project. The bonds carry an average interest rate of approximately 3.0% and mature in 2034.

The proceeds from the 2016 Facilities Bonds were used for equipping and furnishing College buildings and facilities. The bonds carry an average interest rate of 2.6% and mature in 2034.

The proceeds from the 2018 Facilities Bonds were used for erecting, improving and equipping College buildings and facilities, as well as improving and equipping the YMCA building. The bonds carry an average interest rate of approximately 4.0% and mature in November 2042. The College entered into an agreement with the Hannahville Indian Community (the "Tribe") in the amount of \$3,000,000, which the College had to provide upfront through the issuance of the 2018 Facilities Bonds. The Tribe will then provide the College amounts annually to fully fund the bond principal and interest payments for the duration of the bond.

The proceeds from the 2020 Facilities Bonds are being used for the purpose of acquiring energy conservation and operational improvements to the College facilities. The bonds carry an average interest rate of approximately 2.0% and mature in 2030.

BAY DE NOC COMMUNITY COLLEGE

Notes to Financial Statements

Future debt service requirements on bonds payable for years ending after June 30, 2022 are as follows:

Year Ending June 30	Principal	Interest	Total
2023	\$ 1,096,026	\$ 394,319	\$ 1,490,345
2024	1,136,026	364,669	1,500,695
2025	1,166,026	333,919	1,499,945
2026	1,201,026	302,319	1,503,345
2027	1,211,026	269,819	1,480,845
2028-2032	4,170,130	951,613	5,121,743
2033-2037	2,524,104	359,850	2,883,954
2038-2042	850,000	125,800	975,800
2043	190,000	3,800	193,800
	<u>\$ 13,544,364</u>	<u>\$ 3,106,108</u>	<u>\$ 16,650,472</u>

5. LOCAL PROPERTY TAX LEVY

The College's annual property tax on real and personal property is levied by the tax collecting governmental units on July 1 and December 1 and is based on taxable valuation as of the preceding December 31. Taxable valuation is established by the tax collecting governmental unit and is subject to possible equalization by the State.

Delta County ("the County") maintains a delinquent tax revolving fund through which the College receives 100% of all delinquent real property taxes turned over to the County by the tax collecting governmental units.

The College's annual tax levy is allocated between the various funds in accordance with the Board of Trustees' annual tax allocation plan.

6. RETIREMENT BENEFITS AND DEFERRED COMPENSATION

Defined Benefit Plan

Plan Description

The Michigan Public School Employees' Retirement System (the "System" or "MPSERS") is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members - eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

The System's pension plan was established by the State to provide retirement, survivor and disability benefits to public school employees. In addition, the System's health plan provides all retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

BAY DE NOC COMMUNITY COLLEGE

Notes to Financial Statements

The System is administered by the Office of Retirement Services ("ORS") within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System.

The System's financial statements are available at the ORS website at www.michigan.gov/orsschools.

Pension Benefits Provided

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit ("DB") pension plan. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25% to 1.50%. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

A DB plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account if applicable. A refund cancels a former member's rights to future benefits. However, returning members who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

Participants in the defined contribution plan consist of one of the following: (1) members who worked for a Michigan public school on or after September 4, 2012 and elected to be enrolled in the defined contribution plan; (2) members who elected to transfer from the defined benefit plan to the defined contribution plan under the reform (P.A. 300) of 2012; or (3) members who worked for a Michigan public school on or after February 1, 2018 and did not elect participation in the Pension Plus 2 plan. Members who worked for a Michigan public school on or after September 4, 2012 and elected to be enrolled in the defined contribution plan receive a 100% match of the member contribution rate up to a maximum of 3% based on the member's gross earnings. Additionally, there is a mandatory employer contribution of 4% of the member's gross earnings for MPSERS members who elected to convert from a Basic or MIP benefit plan to the defined contribution benefit plan. Members electing the Pension Plus or Pension Plus 2 benefit plan receive a 50% match of the member's contribution percent up to a maximum of 1% based on the member's gross earnings. Effective October 1, 2017, there is a mandatory employer contribution of 4% of the member's gross earnings for members who elect the Defined Contribution benefit plan. The employer must match 100% of the employee contribution for any member who elected the Personal Healthcare Fund up to a maximum of 2% of the member's gross earnings. For all members with a Personal Health Care Fund (PHF), the first 2% of DC contributions must go into the PHF and must be matched 100% by the employer.

Other Postemployment Benefits Provided

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree healthcare recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP Graded plan members) the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008 (MIP-Plus plan members) have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

Public Act 300 of 2012 granted all active members of the Michigan Public School Employees Retirement System, who earned service credit in the 12 months ending September 3, 2012 or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare benefit are effective as of the member's transition date, which is defined as the first day of the pay period that begins on or after February 1, 2013.

Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit and becoming a participant in the PHF, a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employee contribution into their 457 account as of their transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

Contributions

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2020 valuation will be amortized over a 18-year period beginning October 1, 2020 and ending September 30, 2038.

BAY DE NOC COMMUNITY COLLEGE

Notes to Financial Statements

The table below summarizes pension contribution rates in effect for fiscal year 2022, which excludes supplemental MPERS UAAL employer stabilization contributions that are passed through the College to MPERS based on rates ranging from 14.51% - 15.05% on prior year covered payroll:

Benefit Structure	Member Rates	Employer Rates
Basic	0.00% - 4.00%	19.78% - 20.14%
Member Investment Plan (MIP)	3.00% - 7.00%	19.78% - 20.14%
Pension Plus	3.00% - 6.40%	16.82% - 17.22%
Pension Plus 2	6.20%	19.59% - 19.93%
Defined Contribution	0.00%	13.39% - 13.73%

Required contributions to the pension plan from the College were \$1,458,211, \$1,448,806 and \$1,437,448 for the years ended June 30, 2022, 2021 and 2020, respectively.

The table below summarizes OPEB contribution rates in effect for fiscal year 2022:

Benefit Structure	Member Rates	Employer Rates
Premium Subsidy	3.00%	8.09% - 8.43%
Personal Healthcare Fund (PHF)	0.00%	7.23% - 7.57%

Required contributions to the OPEB plan from the College were \$326,785, \$339,860 and \$352,249 for the years ended June 30, 2022, 2021 and 2020, respectively.

The table below summarizes defined contribution rates in effect for fiscal year 2022:

Benefit Structure	Member Rates	Employer Rates
Defined Contribution	0.00% - 3.00%	0.00% - 7.00%
Personal Healthcare Fund (PHF)	0.00% - 2.00%	0.00% - 2.00%

For the years ended June 30, 2022, 2021 and 2020, required and actual contributions from the College for those members with a defined contribution benefit were \$55,091, \$43,024 and \$34,849, respectively.

BAY DE NOC COMMUNITY COLLEGE

Notes to Financial Statements

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2022 and 2021, the College reported a liability of \$11,323,723 and \$17,889,586, respectively, for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2021 and 2020, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2020 and 2019, respectively. The College's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2021, the College's proportion was 0.04783%, which was a decrease of 0.00425% points from its proportion measured as of September 30, 2020 of 0.05208%.

For the year ended June 30, 2022, the College recognized pension expense of \$654,246. At June 30, 2022, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

2022	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ 175,409	\$ 66,683	\$ 108,726
Changes in assumptions	713,807	-	713,807
Net difference between projected and actual earnings on pension plan investments	-	3,640,540	(3,640,540)
Changes in proportion and differences between employer contributions and proportionate share of contributions	26,488	1,707,354	(1,680,866)
	<u>915,704</u>	<u>5,414,577</u>	<u>(4,498,873)</u>
College contributions subsequent to the measurement date	1,323,558	-	1,323,558
Pension portion of Sec 147c state aid award subsequent to the measurement date	-	681,613	(681,613)
	<u>1,323,558</u>	<u>681,613</u>	<u>641,945</u>
Total	<u>\$ 2,239,262</u>	<u>\$ 6,096,190</u>	<u>\$ (3,856,928)</u>

BAY DE NOC COMMUNITY COLLEGE

Notes to Financial Statements

The \$1,323,558 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. The \$681,613 reported as deferred inflows of resources resulting from the pension portion of State appropriations payments received pursuant to Sec 147c of the State School Aid Act (PA 94 of 1979), will be recognized as State appropriations revenue for the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2023	\$ (887,030)
2024	(1,206,150)
2025	(1,296,081)
2026	<u>(1,109,612)</u>
Total	<u>\$ (4,498,873)</u>

For the year ended June 30, 2021, the College recognized pension expense of \$2,121,127. At June 30, 2021, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

2021	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ 273,338	\$ 38,183	\$ 235,155
Changes in assumptions	1,982,339	-	1,982,339
Net difference between projected and actual earnings on pension plan investments	75,164	-	75,164
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>76,429</u>	<u>1,083,720</u>	<u>(1,007,291)</u>
	<u>2,407,270</u>	<u>1,121,903</u>	<u>1,285,367</u>
College contributions subsequent to the measurement date	1,301,824	-	1,301,824
Pension portion of Sec 147c state aid award subsequent to the measurement date	-	<u>672,953</u>	<u>(672,953)</u>
	<u>1,301,824</u>	<u>672,953</u>	<u>628,871</u>
Total	<u>\$ 3,709,094</u>	<u>\$ 1,794,856</u>	<u>\$ 1,914,238</u>

BAY DE NOC COMMUNITY COLLEGE

Notes to Financial Statements

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2022 and 2021, the College reported a liability of \$689,384 and \$2,637,854, respectively, for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2021 and 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by actuarial valuations rolled forward from September 30, 2020 and 2019. The College's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2021, the College's proportion was 0.04516% which was a decrease of 0.00408% points from its proportion measured as of September 30, 2020 of 0.04924%.

For the year ended June 30, 2022, the College recognized a reduction to OPEB expense of \$538,385. At June 30, 2022, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

2022	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ -	\$ 1,967,798	\$ (1,967,798)
Changes in assumptions	576,291	86,235	490,056
Net difference between projected and actual earnings on OPEB plan investments	-	519,601	(519,601)
Changes in proportion and differences between employer contributions and proportionate share of contributions	36,933	683,219	(646,286)
	<u>613,224</u>	<u>3,256,853</u>	<u>(2,643,629)</u>
College contributions subsequent to the measurement date	267,879	-	267,879
Total	<u>\$ 881,103</u>	<u>\$ 3,256,853</u>	<u>\$ (2,375,750)</u>

BAY DE NOC COMMUNITY COLLEGE

Notes to Financial Statements

The \$267,879 reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Amount
2023	\$ (672,571)
2024	(637,371)
2025	(594,606)
2026	(523,798)
2027	(190,314)
Thereafter	<u>(24,969)</u>
Total	<u><u>\$ (2,643,629)</u></u>

For the year ended June 30, 2021, the College recognized a reduction OPEB expense of \$176,390. At June 30, 2021, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

2021	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ -	\$ 1,965,448	\$ (1,965,448)
Changes in assumptions	869,753	-	869,753
Net difference between projected and actual earnings on OPEB plan investments	22,016	-	22,016
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>56,286</u>	<u>551,341</u>	<u>(495,055)</u>
	948,055	2,516,789	(1,568,734)
College contributions subsequent to the measurement date	<u>276,598</u>	-	<u>276,598</u>
Total	<u><u>\$ 1,224,653</u></u>	<u><u>\$ 2,516,789</u></u>	<u><u>\$ (1,292,136)</u></u>

BAY DE NOC COMMUNITY COLLEGE

Notes to Financial Statements

Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The total pension and OPEB liabilities in the September 30, 2020 and 2019 actuarial valuation (for the fiscal year ended June 30, 2022 and 2021, respectively) were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age, normal
Wage inflation	2.75%
Investment rate of return	
MIP and Basic plans (non-hybrid)	6.80%
Pension Plus plan (hybrid)	6.80%
Pension Plus 2 plan (hybrid)	6.00%
OPEB plans	6.95%
Projected salary increases	2.75% - 11.55%, including wage inflation at 2.75%
Cost of living adjustments	3.0% annual non-compounded for MIP members
Healthcare cost trend	7.75% Year 1 graded to 3.5% Year 15; 3.0% Year 120 (7.0% Year 1 graded to 3.5% Year 15; 3.0% Year 120 in 2019)
Mortality	RP-2014 Male and Female Employee Annuitant Mortality Tables, adjusted for mortality improvements using projection scale MP-2017 from 2006. For retirees, the tables were scaled by 82% for males and 78% for females. For active members, 100% of the table rates were used for both males and females.
Other OPEB assumptions:	
Opt out assumptions	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt-out of the retiree health plan.
Survivor coverage	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death.
Coverage election at retirement	75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

BAY DE NOC COMMUNITY COLLEGE

Notes to Financial Statements

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total pension liability as of September 30, 2021, is based on the results of an actuarial valuation date of September 30, 2020, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for pension liabilities is 4.4367 years which is the average of the expected remaining service lives of all employees. The recognition period for OPEB liabilities is 6.1312 years which is the average of the expected remaining service lives of all employees. The recognition period for assets is 5 years.

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2017 valuation. The total pension and OPEB liabilities as of September 30, 2020, are based on the results of an actuarial valuation date of September 30, 2019, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for pension liabilities is 4.4892 years which is the average of the expected remaining service lives of all employees. The recognition period for OPEB liabilities is 5.9870 years which is the average of the expected remaining service lives of all employees. The recognition period for assets is 5 years.

Long-Term Expected Return on Pension Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2021 and 2020, are summarized in the following tables:

2021			
	Target Allocation	Long-Term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	25.00%	5.09%	1.27%
Private equity pools	16.00%	8.58%	1.37%
International equity pools	15.00%	7.08%	1.06%
Fixed income pools	10.50%	-0.73%	-0.08%
Real estate and infrastructure pools	10.00%	5.12%	0.51%
Absolute return pools	9.00%	2.42%	0.22%
Real return/opportunistic pools	12.50%	5.73%	0.72%
Short-term investment pools	2.00%	-1.29%	-0.03%
	100.00%		5.04%
Inflation			2.00%
Risk adjustment			-0.24%
Investment rate of return			6.80%

BAY DE NOC COMMUNITY COLLEGE

Notes to Financial Statements

2020			
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	25.00%	5.29%	1.32%
Private equity pools	16.00%	8.78%	1.40%
International equity pools	15.00%	6.98%	1.05%
Fixed income pools	10.50%	0.47%	0.05%
Real estate and infrastructure pools	10.00%	4.62%	0.46%
Absolute return pools	9.00%	3.02%	0.27%
Real return/opportunistic pools	12.50%	6.23%	0.78%
Short-term investment pools	2.00%	-0.09%	0.00%
	100.00%		5.33%
Inflation			2.10%
Risk adjustment			-0.63%
Investment rate of return			6.80%

Long-Term Expected Return on OPEB Plan Assets

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2021 and 2020, are summarized in the following tables:

BAY DE NOC COMMUNITY COLLEGE

Notes to Financial Statements

2021			
Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	25.00%	5.09%	1.27%
Private equity pools	16.00%	8.58%	1.37%
International equity pools	15.00%	7.08%	1.06%
Fixed income pools	10.50%	-0.73%	-0.08%
Real estate and infrastructure pools	10.00%	5.12%	0.51%
Absolute return pools	9.00%	2.42%	0.22%
Real return/opportunistic pools	12.50%	5.73%	0.72%
Short-term investment pools	2.00%	-1.29%	-0.03%
	100.00%		5.04%
Inflation			2.00%
Risk adjustment			-0.09%
Investment rate of return			6.95%
2020			
Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	25.00%	5.29%	1.32%
Private equity pools	16.00%	8.78%	1.40%
International equity pools	15.00%	6.98%	1.05%
Fixed income pools	10.50%	0.47%	0.05%
Real estate and infrastructure pools	10.00%	4.62%	0.46%
Absolute return pools	9.00%	3.02%	0.27%
Real return/opportunistic pools	12.50%	6.23%	0.78%
Short-term investment pools	2.00%	-0.09%	0.00%
	100.00%		5.33%
Inflation			2.10%
Risk adjustment			-0.48%
Investment rate of return			6.95%

BAY DE NOC COMMUNITY COLLEGE

Notes to Financial Statements

Rate of Return

For the fiscal year ended September 30, 2021, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 27.30% and 27.14%, respectively. For the fiscal year ended September 30, 2020, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 5.37% and 5.24%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 6.80% was used to measure the total pension liability (6.80% for the Pension Plus plan and 6.0% for the Pension Plus 2 plan, both of which are hybrid plans provided through non-university employers only) and a discount rate of 6.95% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on pension and OPEB plan investments of 6.80% (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan) and 6.95%, respectively. The projection of cash flows used to determine these discount rates assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension and OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension and OPEB liabilities.

Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 6.80% (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan), as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher as of June 30, 2022:

	1% Decrease (5.80% / 5.80% / 5.00%)	Current Discount Rate (6.80% / 6.80% / 6.00%)	1% Increase (7.80% / 7.80% / 7.00%)
College's proportionate share of the net pension liability	\$ 16,189,852	\$ 11,323,723	\$ 7,289,382

BAY DE NOC COMMUNITY COLLEGE

Notes to Financial Statements

The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 6.80% (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan), as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher as of June 30, 2021:

1% Decrease (5.80% / 5.80% / 5.00%)	Current Discount Rate (6.80% / 6.80% / 6.00%)	1% Increase (7.80% / 7.80% / 7.00%)
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College's proportionate share of the net pension liability	\$ 23,155,035	\$ 17,889,586	\$ 13,525,703
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Sensitivity of the College's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the College's proportionate share of the net OPEB liability calculated using the discount rate of 6.95%, as well as what the College's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher as of June 30, 2022:

1% Decrease (5.95%)	Current Discount Rate (6.95%)	1% Increase (7.95%)
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College's proportionate share of the net OPEB liability	\$ 1,281,000	\$ 689,384	\$ 187,313
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The following presents the College's proportionate share of the net OPEB liability calculated using the discount rate of 6.95%, as well as what the College's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher as of June 30, 2021:

1% Decrease (5.95%)	Current Discount Rate (6.95%)	1% Increase (7.95%)
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College's proportionate share of the net OPEB liability	\$ 3,388,623	\$ 2,637,854	\$ 2,005,769
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BAY DE NOC COMMUNITY COLLEGE

Notes to Financial Statements

Sensitivity of the College's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the College's proportionate share of the net OPEB liability calculated using the assumed trend rates, as well as what the College's proportionate share of the net OPEB liability would be if it were calculated using a trend rate that is 1 percentage point lower or 1 percentage higher as of June 30, 2022:

	1% Decrease (6.75%)	Current Healthcare Cost Trend Rate (7.75%)	1% Increase (8.75%)
College's proportionate share of the net OPEB liability	\$ 167,791	\$ 689,384	\$ 1,276,240

The following presents the College's proportionate share of the net OPEB liability calculated using the assumed trend rates, as well as what the College's proportionate share of the net OPEB liability would be if it were calculated using a trend rate that is 1 percentage point lower or 1 percentage higher as of June 30, 2021:

	1% Decrease (6.0%)	Current Healthcare Cost Trend Rate (7.0%)	1% Increase (8.0%)
College's proportionate share of the net OPEB liability	\$ 1,981,568	\$ 2,637,854	\$ 3,384,298

Pension and OPEB Plans Fiduciary Net Position

Detailed information about the pension and OPEB plan's fiduciary net position is available in the separately issued MPERS financial statements available on the State of Michigan Office of Retirement Services website at www.michigan.gov/orsschools.

Payable to the Pension Plan

As of June 30, 2022, the College reported a payable of \$178,672 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2022. At June 30, 2021, the College reported a payable of \$173,444 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2021.

Payable to the OPEB Plan

At June 30, 2022, the College reported a payable of \$22,952 for the outstanding amount of OPEB contributions to the Plan required for the year ended June 30, 2022. At June 30, 2021, the College reported a payable of \$22,493 for the outstanding amount of OPEB contributions to the Plan required for the year ended June 30, 2021.

Notes to Financial Statements

Defined Contribution Plan

Effective July 1, 1988, the College adopted a defined contribution retirement plan for qualified employees. Full-time faculty, administrators, and other exempt-status employees can elect to participate in the Bay de Noc Community College Optional Retirement Plan (the "Optional Plan"), a defined contribution plan administered by the College. New employees can elect to participate in either the Optional Plan or MPSERS. Employees electing the Optional Plan who are members of MPSERS retain a limited membership in MPSERS. As of June 30, 2022 and 2021, the Optional Plan had 75 and 63 active participants, respectively, and 90 and 82 participants with account balances, respectively.

The College is required to contribute 12 to 25.36 percent of participating employees' salaries to the Optional Plan. Plan contributions are placed in a segregated employee account that the employee may allocate to the various funding vehicles permitted by the Optional Plan. All contributions are fully vested when made. Total contributions for the years ended June 30, 2022 and 2021 were \$662,862 and \$632,925, respectively.

The plan provides for various benefit payment options. The amount of benefits paid is predicated on the balance in the employees' segregated account when benefit payments begin. The Board of Trustees reserves the right to amend or terminate the plan at any time subject to certain provisions.

Longevity Benefit Payments

Full-time Faculty

A faculty member who has not less than ten years of full-time services as a full-time faculty member of the College, who was hired before August 17, 2013, and is otherwise qualified to retire under MPSERS or the equivalent using the MPSERS formula if in the Optional Plan, qualifies for a retirement incentive payment upon termination of their employment with the College. This payment is equal to 25% of their last year's base salary. The faculty are not eligible for this if they are discharged "for cause", they are not teaching full-time when they terminate employment with the College, or if they have failed to give the prescribed notice for termination.

Administrative Staff

The employees who qualify for the longevity benefits are not required to contribute to the plan. The College funds the plan on a pay-as-you-go basis. The College recognizes administrator loyalty to the College by providing a financial benefit upon the qualifying administrator's retirement. The administrator must have been hired before July 1, 2013 and must be employed by the College for a minimum of ten consecutive years and retire in accordance with the MPSERS guidelines. The employee will receive a percentage of their annual salary based on their number of full-time employment years and previous full fiscal year salary as listed below:

- 25 or more years of service - financial benefit is 25% of annual salary
- 20 to 24 years of service - financial benefit is 23 % of annual salary
- 15 to 19 years of service - financial benefit is 21 % of annual salary
- 10 to 14 years of service - financial benefit is 19% of annual salary

The College records a liability for these benefits over the period earned by the employees based on the likelihood that a benefit will be paid out upon retirement or termination from the College. This plan is funded by the College on a pay-as-you-go basis. The College has elected to calculate the liability using a 5% discount rate applied to the benefit amount. The total liability for these benefits was approximately \$484,000 and \$459,000 at June 30, 2022 and 2021, respectively. The College recognized expenses associated with these longevity incentives of approximately \$11,000 and \$33,000 for the years ended June 30, 2022 and 2021, respectively.

BAY DE NOC COMMUNITY COLLEGE

Notes to Financial Statements

7. COMPENSATED ABSENCES

The College records amounts payable for compensated absences as a liability when benefits become vested and subject to payment upon employee termination. The following summarizes specific policies with regard to compensated absences.

Vacation

In general, employees may accumulate no more than 240 hours of vacation. Upon termination, employees are entitled to payment, at their current rate, of 100% of their accumulated vacation days up to the maximum of 240 hours. The College records this liability at 100% of the accumulated benefits since the accumulation is based upon past employee service and is fully vested. The total liability recorded for accrued vacation time is approximately \$321,000 and \$360,000 at June 30, 2022 and 2021, respectively.

Sick Leave

In general, employees may accumulate unused sick leave (no limitation for faculty and up to 130 days for administrative and support staff), however, sick leave is payable only when sick leave is actually used. Upon termination, accumulated sick leave is not vested, and accordingly, no liability is recorded for the accumulated sick leave.

8. VOLUNTARY TERMINATION BENEFITS

Voluntary termination benefits are those provided to employees as a) an inducement to hasten the termination of services or b) as a result of a voluntary early termination plan. The College's obligation to provide benefits for voluntary terminations generally arises as a result of a bilateral agreement in which the College agrees to provide benefits, such as early-retirement incentive benefits, in exchange for which the employee agrees to leave service earlier than he or she otherwise would. Voluntary termination agreements are used primarily by full-time administrative, professional/technical and faculty staff.

Voluntary termination benefits include benefits such as enhanced early retirement options. Other termination benefits may include:

1. Early retirement incentives, such as cash payments or contribution to retirement to MPSERS or TIAA-CREF, or the College's 403(b) plan (see Note 6)
2. Health care coverage when none would otherwise be provided (COBRA)
3. Payments due to early release from employment contracts

A terminated employee can continue to access health benefits. If the COBRA payment is provided by the College, then the College would have a termination liability. When a terminated employee pays 100% of the premium, the College would not have a termination liability.

BAY DE NOC COMMUNITY COLLEGE

Notes to Financial Statements

Employee Severance Plan

During fiscal year 2020, the College adopted an Employee Severance Plan ("ESP") which is administered by a third party. Eligible participants include full time faculty, administration, and support staff with ten or more years of service with Bay College (or will be eligible to retire with full or reduced benefits with Michigan Public Schools Employee Retirement System ("MPSERS") as of June 30, 2022, or are eligible to retire under the Optional Retirement Plan ("ORP") as of June 30, 2022.

For those who elected the ESP, the exit date was June 30, 2022 or July 31, 2022; however, the College reserves the right to retain employees for up to one year or alter their exit date based on educational and operational needs of the College. The benefits under this plan are as follows:

- Faculty and administration will receive \$55,000, plus applicable contractual retirement pay, the total of which is divided into equal monthly payments made to the participant's Post Employment 403(b) account.
- Support staff who elect the Plan will receive \$30,000, the total of which is divided into equal monthly payments made to the participant's Post Employment 403(b) account.

Participants receive the total ESP benefit over five years, divided into sixty equal monthly payments beginning four months following the elected exit date. One employee opted into the plan with an exit date in 2022. The College's liability related to the ESP as of June 30, 2022 was \$29,226, all of which is due within one year as of June 30, 2022. The College's liability related to the ESP as of June 30, 2021 was \$328,291, which includes the current portion of \$299,065 due within one year as of June 30, 2021.

9. CONTINGENCIES

The College receives significant financial assistance from the State and Federal agencies in the form of grants and awards. The use of these funds generally requires compliance with grantor terms and conditions and is subject to audit by the grantor agency. Disallowed expenditures resulting from grantor audits could become a liability of the College, however, management believes that any future disallowances would not have a material effect on the College's financial statements.

10. RISK MANAGEMENT

The College is exposed to various risks of loss related to property loss, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The College's principle resource used to manage and minimize potential losses is through the purchase of commercial insurance policies, including participation in the Michigan Community College Risk Management Authority (MCCRMA), a risk management fund that includes other community colleges in the State of Michigan. Coverage includes a deductible up to a specific amount, retention that is paid from member funds on deposits, stop loss fund that is funded with MCCRMA accumulated earnings, and reinsurance for claims balances in excess of deductible, retention, and stop loss. The member annual aggregate for retentions/deductibles is a combined annual aggregate of \$45,000. The stop loss funds cover all claims from annual aggregate to the point of reinsurance. For the last three years, settled claims have not exceeded insurance coverage, nor has there been any reduction in insurance coverage.



**REQUIRED SUPPLEMENTARY INFORMATION
MPSERS COST SHARING MULTIPLE EMPLOYER PLANS**

BAY DE NOC COMMUNITY COLLEGE

Required Supplementary Information

MPSERS Cost-Sharing Multiple-Employer Plans

Schedule of the College's Proportionate Share of the Net Pension Liability

	Year Ended June 30							
	2022	2021	2020	2019	2018	2017	2016	2015
College's proportionate share of the net pension liability	\$ 11,323,723	\$ 17,889,586	\$ 18,602,589	\$ 17,153,428	\$ 14,544,692	\$ 14,566,191	\$ 15,132,181	\$ 14,328,240
College's proportion of the net pension liability	0.04783%	0.05208%	0.05617%	0.05706%	0.05613%	0.05838%	0.06195%	0.06505%
College's covered payroll	\$ 4,122,796	\$ 4,388,155	\$ 4,759,426	\$ 4,943,153	\$ 4,755,418	\$ 4,725,908	\$ 5,281,871	\$ 5,545,682
College's proportionate share of the net pension liability as a percentage of its covered payroll	274.66%	407.68%	390.86%	347.01%	305.86%	308.22%	286.49%	258.37%
Plan fiduciary net position as a percentage of the total pension liability	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

See notes to required supplementary information.

BAY DE NOC COMMUNITY COLLEGE

Required Supplementary Information

MPSERS Cost-Sharing Multiple-Employer Plans

Schedule of the College's Pension Contributions

	Year Ended June 30							
	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 1,458,211	\$ 1,448,806	\$ 1,437,448	\$ 1,499,514	\$ 1,486,300	\$ 1,313,933	\$ 1,339,523	\$ 1,618,883
Contributions in relation to the statutorily required contributions	<u>(1,458,211)</u>	<u>(1,448,806)</u>	<u>(1,437,448)</u>	<u>(1,499,514)</u>	<u>(1,486,300)</u>	<u>(1,313,933)</u>	<u>(1,339,523)</u>	<u>(1,618,883)</u>
Contribution deficiency (excess)	<u>\$ -</u>							
College's covered payroll	\$ 4,183,202	\$ 4,222,465	\$ 4,452,819	\$ 4,817,541	\$ 5,108,698	\$ 4,522,320	\$ 4,631,719	\$ 5,575,178
Contributions as a percentage of covered payroll	34.86%	34.31%	32.28%	31.13%	29.09%	29.05%	28.92%	29.04%

See notes to required supplementary information.

BAY DE NOC COMMUNITY COLLEGE

Required Supplementary Information

MPSERS Cost-Sharing Multiple-Employer Plans
 Schedule of the College's Proportionate Share of the Net
 Other Postemployment Benefits ("OPEB") Liability

	Year Ended June 30				
	2022	2021	2020	2019	2018
College's proportionate share of the net OPEB liability	\$ 689,384	\$ 2,637,854	\$ 3,885,061	\$ 4,588,711	\$ 4,995,027
College's proportion of the net OPEB liability	0.04516%	0.04924%	0.05413%	0.05773%	0.05641%
College's covered payroll	\$ 4,122,796	\$ 4,388,155	\$ 4,759,426	\$ 4,943,153	\$ 4,755,418
College's proportionate share of the net OPEB liability as a percentage of its covered payroll	16.72%	60.11%	81.63%	92.83%	105.04%
Plan fiduciary net position as a percentage of the total OPEB liability	87.33%	59.44%	48.46%	42.95%	36.39%

See notes to required supplementary information.

BAY DE NOC COMMUNITY COLLEGE

Required Supplementary Information

MPSERS Cost-Sharing Multiple-Employer Plans

Schedule of the College's Other Postemployment Benefits ("OPEB") Contributions

	Year Ended June 30				
	2022	2021	2020	2019	2018
Statutorily required contribution	\$ 326,785	\$ 339,860	\$ 352,249	\$ 373,447	\$ 367,053
Contributions in relation to the statutorily required contribution	<u>(326,785)</u>	<u>(339,860)</u>	<u>(352,249)</u>	<u>(373,447)</u>	<u>(367,053)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll	\$ 4,183,202	\$ 4,222,465	\$ 4,452,819	\$ 4,817,541	\$ 5,108,698
Contributions as a percentage of covered payroll	7.81%	8.05%	7.91%	7.75%	7.18%

See notes to required supplementary information.

BAY DE NOC COMMUNITY COLLEGE

Notes to Required Supplementary Information

Pension Information

GASB 68 was implemented in fiscal year 2015. The pension plan schedules are being built prospectively. Ultimately, 10 years of data will be presented.

The amounts presented in the schedule of the College's Proportionate Share of the Net Pension Liability were determined as of September 30 of the preceding year (the plan year).

The significant changes in assumptions for each of the fiscal years ended June 30 were as follows:

- 2022 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2023 employer contributions decreased from 3.0% to 2.5%.
- 2021 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2022 employer contributions decreased from 3.5% to 3.0%.
- 2020 - The discount rate used in the September 30, 2018 actuarial valuation decreased to 6.80% for the MIP and Basic plans, 6.80% for the Pension Plus Plan, and 6.00% for the Pension Plus 2 Plan.
- 2019 - The discount rate used in the September 30, 2017 actuarial valuation decreased to 7.05% for the MIP and Basic plans, 7.00% for the Pension Plus plan, and 6.00% for the Pension Plus 2 Plan.
- 2018 - The discount rate used in the September 30, 2016 actuarial valuation decreased to 7.50% for the MIP and Basic plans and 7.00% for the Pension Plus Plan.

OPEB Information

GASB 75 was implemented in fiscal year 2018. The OPEB plan schedules are being built prospectively. Ultimately, 10 years of data will be presented.

The amounts presented in the schedule of the College's Proportionate Share of the Net OPEB Liability were determined as of September 30 of the preceding year (the plan year).

The significant changes in assumptions for each of the fiscal years ended June 30 were as follows:

- 2022 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2023 employer contributions decreased from 3.0% to 2.5%. The healthcare cost trend rate used in the September 30, 2020 actuarial valuation increased to 7.75%.
- 2021 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2022 employer contributions decreased from 3.5% to 3.0%. The healthcare cost trend rate used in the September 30, 2019 actuarial valuation decreased to 7.0%.
- 2020 - The discount rate used in the September 30, 2018 actuarial valuation decreased to 6.95%.
- 2019 - The discount rate used in the September 30, 2017 actuarial valuation decreased to 7.15%.

SUPPLEMENTARY INFORMATION

BAY DE NOC COMMUNITY COLLEGE

Combining Statement of Net Position

June 30, 2022 (Unaudited)
(with comparative totals for 2021)

	General Fund	Auxiliary Fund	Pension and OPEB Liability Fund	Plant Fund	Agency Fund	Restricted Fund	Combined Total June 30, 2022	Combined Total June 30, 2021
Assets								
Current assets								
Cash and cash equivalents	\$ 1,370,794	\$ -	\$ -	\$ -	\$ -	\$ 4,287,484	\$ 5,658,278	\$ 7,032,761
Cash-restricted for capital improvements	-	-	-	1,248,020	-	-	1,248,020	2,490,590
Student receivables, net	82,061	-	-	-	-	-	82,061	72,375
State appropriations receivable	1,081,277	-	123,930	-	-	-	1,205,207	1,187,248
Grants receivable	-	-	-	-	-	890,820	890,820	483,952
Due from (to) component unit	15,601,733	1,313,854	-	(11,734,038)	127,740	(5,165,571)	143,718	151,113
Other receivables, net	344,788	-	-	-	-	-	344,788	47,835
Prepays and other current assets	681,530	-	-	-	-	-	681,530	590,676
Total current assets	19,162,183	1,313,854	123,930	(10,486,018)	127,740	12,733	10,254,422	12,056,550
Noncurrent assets								
Cash-restricted for debt repayment	-	-	-	662,307	-	-	662,307	662,307
Capital assets not being depreciated	-	-	-	3,196,328	-	-	3,196,328	3,807,368
Capital assets being depreciated, net	-	-	-	29,101,242	-	-	29,101,242	27,800,900
Total noncurrent assets	-	-	-	32,959,877	-	-	32,959,877	32,270,575
Total assets	19,162,183	1,313,854	123,930	22,473,859	127,740	12,733	43,214,299	44,327,125
Deferred outflows of resources								
Deferred pension amounts	-	-	2,239,262	-	-	-	2,239,262	3,709,094
Deferred OPEB amounts	-	-	881,103	-	-	-	881,103	1,224,653
Total deferred outflows of resources	-	-	3,120,365	-	-	-	3,120,365	4,933,747
Liabilities								
Current liabilities								
Accounts payable	228,231	-	123,930	-	-	-	352,161	1,203,047
Accrued payroll and related liabilities	1,266,562	-	-	-	-	-	1,266,562	1,241,739
Unearned revenue	318,288	-	-	-	-	12,733	331,021	287,317
Interest payable	-	-	-	47,441	-	-	47,441	51,669
Other current liabilities	213,909	13,500	-	-	127,740	-	355,149	322,810
Current portion of accrued employee benefits payable	29,226	-	-	-	-	-	29,226	299,065
Current portion of long-term debt	-	-	-	1,096,026	-	-	1,096,026	1,066,475
Total current liabilities	2,056,216	13,500	123,930	1,143,467	127,740	12,733	3,477,586	4,472,122
Noncurrent liabilities								
Long-term debt, net of current portion	-	-	-	12,448,338	-	-	12,448,338	13,544,177
Accrued employee benefits payable, net of current portion	483,503	-	-	-	-	-	483,503	488,372
Net pension liability	-	-	11,323,723	-	-	-	11,323,723	17,889,586
Net OPEB liability	-	-	689,384	-	-	-	689,384	2,637,854
Total noncurrent liabilities	483,503	-	12,013,107	12,448,338	-	-	24,944,948	34,559,989
Total liabilities	2,539,719	13,500	12,137,037	13,591,805	127,740	12,733	28,422,534	38,422,828
Deferred inflows of resources								
Deferred pension amounts	-	-	6,096,190	-	-	-	6,096,190	1,794,856
Deferred OPEB amounts	-	-	3,256,853	-	-	-	3,256,853	2,516,789
Total deferred inflows of resources	-	-	9,353,043	-	-	-	9,353,043	4,311,645
Net position								
Net investment in capital assets	-	-	-	20,001,226	-	-	20,001,226	19,488,206
Restricted	-	-	-	662,307	-	-	662,307	662,307
Unrestricted (deficit)	16,622,464	1,300,354	(18,245,785)	(11,781,479)	-	-	(12,104,446)	(14,233,397)
Total net position	\$ 16,622,464	\$ 1,300,354	\$ (18,245,785)	\$ 8,882,054	\$ -	\$ -	\$ 8,559,087	\$ 5,917,116

BAY DE NOC COMMUNITY COLLEGE

Combining Statement of Revenues, Expenses, Transfers, and Changes in Net Position

Year Ended June 30, 2022 (Unaudited)

(with comparative totals for 2021)

	General Fund	Auxiliary Fund	Pension and OPEB Liability Fund	Plant Fund	Restricted Fund	Subtotal	Eliminations	Combined Total June 30, 2022	Combined Total June 30, 2021
Operating revenues									
Tuition and fees, net	\$ 9,025,967	\$ -	\$ -	\$ -	\$ -	\$ 9,025,967	\$ (3,022,976)	\$ 6,002,991	\$ 6,446,252
Federal grants and contracts	-	-	-	-	659,433	659,433	-	659,433	767,877
State and local grants and contracts	-	-	-	-	50,667	50,667	-	50,667	58,486
Sales and service of auxiliary activities	55,119	248,512	-	-	-	303,631	(41,738)	261,893	252,699
Other operating revenues	251,986	-	-	-	-	251,986	-	251,986	200,947
Total operating revenues	9,333,072	248,512	-	-	710,100	10,291,684	(3,064,714)	7,226,970	7,726,261
Operating expenses									
Instruction	8,047,737	-	(1,640,741)	(55,051)	1,546,303	7,898,248	-	7,898,248	9,000,378
Public service	162,487	-	(29,894)	-	-	132,593	-	132,593	190,937
Instructional support	1,772,035	-	(98,645)	-	-	1,673,390	-	1,673,390	1,630,422
Student services	3,234,277	-	(107,000)	-	4,280,447	7,407,724	(3,064,714)	4,343,010	3,549,926
Institutional administration	1,686,095	-	(223,284)	2,500	-	1,465,311	-	1,465,311	1,750,650
Operations and maintenance of plant	1,860,332	337,286	(178,561)	-	326,003	2,345,060	-	2,345,060	2,338,657
Information technology	1,662,730	-	(63,041)	-	-	1,599,689	-	1,599,689	1,773,441
Depreciation	-	-	-	2,227,168	-	2,227,168	-	2,227,168	2,141,413
Total operating expenses	18,425,693	337,286	(2,341,166)	2,174,617	6,152,753	24,749,183	(3,064,714)	21,684,469	22,375,824
Operating (loss) income	(9,092,621)	(88,774)	2,341,166	(2,174,617)	(5,442,653)	(14,457,499)	-	(14,457,499)	(14,649,563)
Nonoperating revenues (expenses)									
State appropriations	7,504,643	-	(681,613)	-	-	6,823,030	-	6,823,030	6,823,818
Property tax levy	2,823,647	-	-	1,223,629	-	4,047,276	-	4,047,276	3,939,105
Property taxes from Dickinson County	1,146,900	-	-	-	-	1,146,900	-	1,146,900	1,135,863
Federal Pell grants	-	-	-	-	2,412,923	2,412,923	-	2,412,923	2,449,475
Federal Higher Education Emergency Relief Funds grant	(2,700)	-	-	-	2,822,389	2,819,689	-	2,819,689	1,045,128
Federal Coronavirus Relief Fund grant	-	-	-	-	-	-	-	-	627,900
Support from component unit	584,612	-	-	20,601	-	605,213	-	605,213	599,308
Private gifts, grants and contracts	11,608	-	-	198,100	-	209,708	-	209,708	394,177
Contributions to the YMCA	-	-	-	(620,000)	-	(620,000)	-	(620,000)	(850,000)
Interest income	50,503	-	-	22,129	-	72,632	-	72,632	86,143
(Loss) gain on disposal of capital assets	-	-	-	(5,296)	-	(5,296)	-	(5,296)	4,235
Interest on capital asset-related debt	-	-	-	(412,605)	-	(412,605)	-	(412,605)	(419,829)
Net nonoperating revenues	12,119,213	-	(681,613)	426,558	5,235,312	17,099,470	-	17,099,470	15,835,323
Increase (decrease) in net position before transfers	3,026,592	(88,774)	1,659,553	(1,748,059)	(207,341)	2,641,971	-	2,641,971	1,185,760
Transfers (out) in	(207,341)	-	-	-	207,341	-	-	-	-
Increase (decrease) in net position	2,819,251	(88,774)	1,659,553	(1,748,059)	-	2,641,971	-	2,641,971	1,185,760
Net position (deficit), beginning of year	13,803,213	1,389,128	(19,905,338)	10,630,113	-	5,917,116	-	5,917,116	4,731,356
Net position (deficit), end of year	\$ 16,622,464	\$ 1,300,354	\$ (18,245,785)	\$ 8,882,054	\$ -	\$ 8,559,087	\$ -	\$ 8,559,087	\$ 5,917,116

BAY DE NOC COMMUNITY COLLEGE

West Campus - Schedules of Revenues, Expenses and Changes in Net Position

(Unaudited)

	Year Ended June 30	
	2022	2021
Operating revenues		
Tuition and fees	\$ 2,269,791	\$ 2,249,315
Federal grants and contracts	9,735	9,534
Non-credit and contracts	83,927	43,406
Scholarship allowance	(2,691)	(2,388)
	<u>2,360,762</u>	<u>2,299,867</u>
Net tuition and fees		
	2,360,762	2,299,867
Other operating revenue	5,217	439
	<u>5,217</u>	<u>439</u>
Total operating revenues	<u>2,365,979</u>	<u>2,300,306</u>
Operating expenses		
Salary and wages	1,423,223	1,366,659
Benefits	637,080	632,358
Advertising and professional services	215,611	159,624
Supplies and materials	110,934	104,884
Rent, utilities and insurance	163,436	156,717
Travel, professional development, and other operating expenses	75,194	37,986
Capital under \$5,000 and grant capital	9,761	8,620
Depreciation	383,801	352,120
	<u>3,019,040</u>	<u>2,818,968</u>
Total operating expenses	<u>3,019,040</u>	<u>2,818,968</u>
Operating loss	<u>(653,061)</u>	<u>(518,662)</u>
Nonoperating revenues (expenses)		
General administration (5% of total expenses)	(150,952)	(140,948)
Property taxes from Dickinson County	1,146,900	1,135,863
Interest on capital asset-related debt	(78,154)	(90,373)
	<u>917,794</u>	<u>904,542</u>
Net nonoperating revenues	<u>917,794</u>	<u>904,542</u>
Increase in net position	264,733	385,880
Net position, beginning of year	<u>2,420,894</u>	<u>2,035,014</u>
Net position, end of year	<u>\$ 2,685,627</u>	<u>\$ 2,420,894</u>