Northwestern Michigan College

Financial Report
with Supplemental Information
June 30, 2022

Contents

plante moran

Plante & Moran, PLLC
Suite 300
750 Trade Centre Way
Portage, MI 49002
Tel: 269.567.4500
Fax: 269.567.4501
plantemoran.com

Independent Auditor's Report

To the Board of Trustees
Northwestern Michigan College

Report on the Audits of the Financial Statements

Qualified and Unmodified Opinions

We have audited the financial statements of the business-type activities and discretely presented component unit of Northwestern Michigan 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.

Summary of Opinions

Qualified Opinion on Northwestern Michigan College Foundation

In our opinion, except for the effects of the matter described in the *Basis for Qualified and Unmodified Opinions* section of our report, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of Northwestern Michigan College Foundation (the "Foundation"), a discretely presented component unit of the College, as of June 30, 2022 and 2021 and the respective changes in its financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinion on Northwestern Michigan College

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the College as of June 30, 2022 and 2021 and the changes in its financial position and its cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Qualified and Unmodified 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 *Auditor's Responsibilities for the Audits 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified audit opinions. The financial statements of Northwestern Michigan College Foundation were not audited under *Government Auditing Standards*.

Matter Giving Rise to Qualified Opinion on Northwestern Michigan College Foundation

The Foundation's financial statements do not follow the applicable financial reporting framework. When an organization meets the definition for a governmental entity defined in the AICPA Audit and Accounting Guide: State and Local Governments, the appropriate generally accepted accounting principles (GAAP) for the financial statements of the organization are promulgated by the Governmental Accounting Standards Board (GASB). The Foundation meets the definition of a governmental entity but is following GAAP promulgated by the Financial Accounting Standards Board (FASB). The impact of this departure would affect the financial statement presentation and require a management's discussion and analysis, classified statement of net position, and additional disclosures related to certain deposits and investments and reduce equity and increase deferred inflows by approximately $90,000.

To the Board of Trustees
Northwestern Michigan College

Report on Prior Year Financial Statements

In our report dated October 11, 2021, we expressed an opinion that the June 30, 2021 financial statements fairly presented the financial position, results of operations, and cash flows of the Foundation in accordance with accounting principles generally accepted in the United States of America. As described in the *Matter Giving Rise to Qualified Opinion on Northwestern Michigan College Foundation* paragraph above, the Foundation is not following the applicable financial reporting framework. Accordingly, our present opinion on the June 30, 2021 financial statements, as presented herein, is different from that expressed in our previous report.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these basic 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 basic financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the basic 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 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the basic financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 audits 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 basic financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the basic 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 basic financial statements.
- Obtain an understanding of internal control relevant to the audits 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 basic 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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

To the Board of Trustees
Northwestern Michigan College

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the College's proportionate share of the net pension liability, schedule of pension contributions, schedule of the College's proportionate share of the net OPEB liability, and schedule of the College's OPEB contributions 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, which 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 supplemental 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.

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual financial report. The other information comprises the listing of Board of Trustees and Administrative Officials but does not include the basic financial statements and our auditor's 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 whether 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.

To the Board of Trustees
Northwestern Michigan College

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2022 on our consideration of Northwestern Michigan College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Northwestern Michigan 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 Northwestern Michigan College's internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 14, 2022

The discussion and analysis of Northwestern Michigan College's (the "College") financial statements provide an overview of the College's financial activities for the year ended June 30, 2022. Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the College's administration.

Using this Report

The College's financial report includes three financial statements: the statement of net position, the statement of revenues, expenses, and changes in net position, and the statement of cash flows. These financial statements are 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.*

Northwestern Michigan College Foundation (the "Foundation") is included within these statements as a discretely presented component unit of the College's reporting entity (although it is legally separate and governed by its own board of directors) because its sole purpose is to provide support for the College under GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*.

This annual financial report includes the management's discussion and analysis, the report of independent auditors, the basic financial statements, notes to the financial statements, required supplementary information, and supplementary information.

Financial Highlights

The College's net position increased by $6.8 million in fiscal year 2022 including activity recognized to comply with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* The College's net position increased by $1.6 million before the adjustments required under those standards. The increase in net position stems largely from federal relief funding allocated to the College through the combination of three major federal stimulus bills, along with increased revenues from programs and auxiliary activities that were ceased during the pandemic. The College utilized institutional Federal COVID-19 funding to reimburse itself for unexpected expenses and to recoup lost revenues incurred due to the pandemic, recognizing $7.5 million in Federal COVID-19 revenue this fiscal year.

Operating property taxes increased 3.4% due to a 4.7% increase in taxable values, offset by tax abatements and millage rate erosion due to the Headlee Amendment. The College had no debt-related property tax revenue in fiscal year 2022 or 2021, as the College's debt millage expired in fiscal year 2020 after the underlying debt was paid. State appropriations for general operations were $9.9 million in fiscal year 2022, an increase of $0.1 million or 0.6%. State appropriations passed through the College for the MPSERS Unfunded Actuarial Accrued Liability ("UAAL") payments were $2.4 million, an increase of $158,000 from prior year. The College received an additional $425,000 in support from the State to offset mandatory increases in MPSERS employer contribution rates in fiscal year 2022. This compares with $427,000 in fiscal year 2021, a decrease of $2,000. Also included in State appropriations is the State's payment in lieu of personal property taxes, which the State abolished as of December 31, 2015. This formula-based reimbursement was $176,000 for fiscal year 2021, a $8,000 decrease from prior year. With the above, total state appropriations increased $0.7 million in fiscal year 2022 compared to prior year.

COVID-19 Relief Funding

On March 11, 2020, the World Health Organization declared a pandemic with the outbreak of a respiratory disease caused by a new coronavirus ("COVID-19"). In response to the pandemic, governments took preventative and protective actions, such as temporary closures of non-essential businesses and "shelter-at-home" guidelines for individuals. At that time, following the region's first confirmed case of COVID-19, the College closed all campuses, sending students and employees home and shifting to a fully remote online learning environment. Later that Spring, the College developed and implemented a phased COVID-19 management plan to guide campus health and safety protocols. In Summer and Fall 2020, following CDC and local health department guidance, the College offered flexible learning options and delivered courses in a variety of ways including online, livestream, and hybrid learning option along with traditional face-to-face formats for certain technical and occupational programs that required it.

On March 27, 2020, Congress enacted the Coronavirus Aid, Relief, and Economic Security Act ("CARES"), which included formula-based federal support for Colleges and Universities through its Higher Education Emergency Relief Fund ("HEERF I"). The Department of Education allocated $2.2 million from HEERF I to NMC. Half of these funds ("the student portion") were used to provide emergency grants to students in need, while the other half ("the institutional portion") were used to offset institutional costs directly related to changes in the delivery of instruction resulting from the COVID-19 pandemic (or to provide additional emergency grants to students).

On July 31, 2020, the State passed a retroactive 11% cut to its original 2020 community college appropriation bill in response to revenue shortfalls from the pandemic. This cut in state appropriations revenue was recognized in fiscal year 2020. However, in the same bill, the State replaced the $1.1 million cut in full with pass-through federal funding enacted under the CARES Act called the Coronavirus Relief Fund (CRF). The College incurred $900,000 of CRF expenses in fiscal year 2020, and the remaining $200,000 in fiscal year 2021. The full $1.1 million in CRF revenue was recognized in fiscal year 2021 due to the date of this legislation.

On December 27, 2020, Congress enacted the Coronavirus Response and Relief Supplemental Appropriations Act ("CRRSAA"), which includes formula-based support for Colleges and Universities through a second round of HEERF funding ("HEERF II"). The Department of Education awarded $4.3 million from HEERF II to the College. $3.1 million of these funds ("the student portion") were used to provide emergency grants to students in need, while the remaining $1.2 million ("the institutional portion") were used to offset institutional costs or lost revenues directly resulting from the COVID-19 pandemic (or to provide additional emergency grants to students). The College utilized and distributed to students all $4.3 million from HEERF II and recognized the same in revenue in fiscal year 2021.

On March 11, 2021, Congress enacted the American Rescue Plan Act of 2021 ("ARPA"), which includes formula-based support for Colleges and Universities through a third round of HEERF funding ("HEERF III"). The Department of Education awarded $7.5 million from HEERF III to the College. Of the $7.5 million, $3.7 million ("the student portion") were used to provide emergency grants to students while $3.8 million ("the institutional portion") were used to offset institutional costs and lost revenues directly resulting from the COVID-19 pandemic. The College utilized $3.4 and $0.4 million of institutional HEERF III in fiscal years 2021 and 2022, respectively, and distributed the full $3.7 million student portion as emergency grants during fiscal year 2022.

The Statements of Net Position and the Statements of Revenues, Expenses, and Changes in Net Position

The statements of net position and the statements of revenues, expenses, and changes in net position report information on the College's net position and changes therein. These statements include all assets, liabilities, and deferred inflows and outflows using the accrual basis of accounting.

The statements of net position include the College's net pension and OPEB liabilities recognized in accordance with GASB 68 and 75, respectively. The College's total net position at June 30, 2022, 2021, and 2020 without the accounting required by GASB 68 and GASB 75 was $87.0 million, $85.4 million, $83.4 million, respectively. Summaries of the College's statements of net position at June 30, 2022, 2021, and 2020 are as follows:

Condensed Statements of Net Position as of June 30 (in thousands)	2022	2021	2020
Current assets	$ 24,383	$ 22,597	$ 21,615
Noncurrent assets:			
Capital assets, net	78,218	81,035	83,145
Other noncurrent assets	18,670	20,560	16,903
Total assets	121,271	124,192	121,663
Deferred outflows of resources	10,280	15,382	19,333
Current liabilities	8,602	12,681	11,028
Noncurrent liabilities:			
Net pension liability	38,026	56,797	57,892
Net OPEB liability	2,391	8,623	12,287
Other noncurrent liabilities	25,693	26,144	27,195
Total liablities	74,712	104,245	108,402
Deferred inflows of resources	28,403	13,686	11,968
Net position:			
Net investment in capital assets	56,298	57,808	59,659
Unrestricted deficit	(27,862)	(36,165)	(39,033)
Total net position	$ 28,436	$ 21,643	$ 20,626

Statements of Net Position

The primary changes in the assets, deferred outflows, liabilities, and deferred inflows of the College between 2022 and 2021 are as follows:

- Current assets increased $1.8 million, including a $0.6 million decrease in receivables and a $2.2 million increase in cash. The decrease in receivables is primarily due to the fulfillment of $1.7 million in receivables from COVID funding related grants that were outstanding in fiscal year 2021. This was partially offset by the timing other grant related receivables and tuition and fee receivables at the end of the 2022 fiscal year. The College's increase in cash is due to timing and the receipt of COVID-19 related funding.

- Capital asset additions totaled $2.2 million, $490,000 for technology upgrades to the campus network and data storage systems, $355,000 of which relates to upgrades to the campus heating and cooling systems, $272,000 in structural improvements, and $255,000 for upgrades to Great Lakes Campus parking lot. These additions were offset by current year depreciation of $5.0 million. As a result, net capital assets decreased by $2.8 million. Other noncurrent assets decreased $1.9 million primarily due to a decrease in investment of surplus cash during the year.

- Current liabilities decreased $4.1 million primarily due to the College's ability in 2022 to recognize deferred federal ARPA revenue from fiscal year 2021 of $3.4 million.

- The College's net pension liability decreased $18.8 million primarily due to the difference between the project and actual earnings on pension plan investments based on the market as of September 30, 2021 as well as a change in the proportionate share allocated to the College. The College's net OPEB liability decreased $6.2 million due to a decrease in the actuarial health care cost trends rate for members over age 65. Other noncurrent liabilities decreased due to current year payments on outstanding bond debt.

- Deferred inflows is the acquisition of net position that applies to future reporting periods. Deferred outflows is the consumption of net position that applies to future reporting periods. The College’s deferred inflows and outflows, and changes therein, stem primarily from the MPSERS plan and include changes in actuarial assumptions, differences between expected and actual experience, changes in the proportionate share of the pension and OPEB liabilities, and contributions to the plan subsequent to the measurement date.

The primary changes in the assets, deferred outflows, liabilities, and deferred inflows of the College between 2021 and 2020 are as follows:

- Current assets increased $1 million, including a $1.5 million decrease in receivables and a $2.1 million increase in cash. The decrease in receivables is due to the fulfillment of a $3.8 million receivable for State capital appropriations from 2020. This was offset by a $1.1 million increase in State appropriations receivable impacted by an 11% cut made to the 2020 community college appropriation bill in response to revenue shortfalls from the COVID-19 pandemic. The College’s increase in cash is due to timing and the receipt of COVID-19 related funding.

- Capital asset additions totaled $2.7 million, $831,000 of which relates to the construction of the West Hall Innovation Center (“WHIC”), $479,000 for new energy-efficient windows in East Hall, and $446,000 for technology upgrades to the campus Wi-Fi and firewall systems. These additions were offset by current year depreciation of $4.7 million and net disposals of $90,000. As a result, net capital assets decreased by $2.1 million. Other noncurrent assets increased $3.7 primarily due to investing surplus cash during the year.

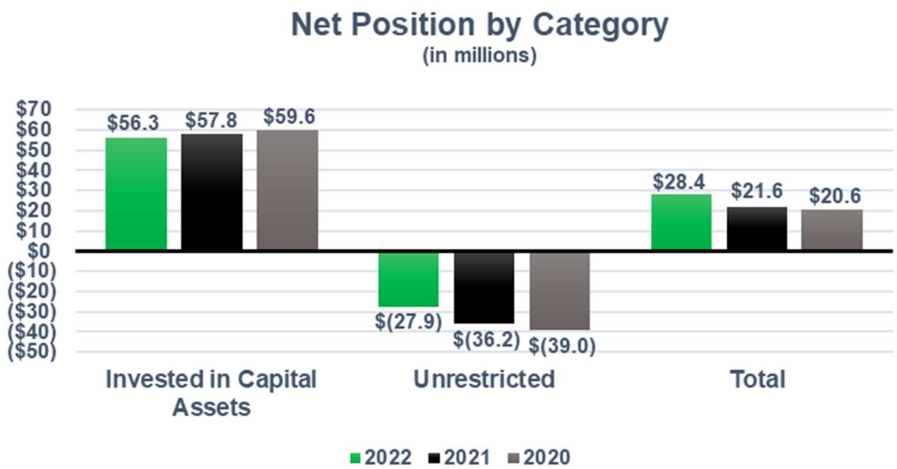
- Current liabilities increased $1.5 million primarily due to the College deferring federal ARPA revenue at the end of the fiscal year of $3.4 million. This is offset by the reduction of $1.7 million in payables as a result of large construction-related payables in the prior year that were satisfied in fiscal year 2021.

- The College’s net pension liability decreased $1.1 million due to changes in actuarial assumptions and a slight decline in the College’s proportionate share. The College’s net OPEB liability decreased $3.7 million due to a 0.50% decrease in the health care cost trends rate. Other noncurrent liabilities decreased due to current year payments on outstanding bond debt.

- Deferred inflows is the acquisition of net position that applies to future reporting periods. Deferred outflows is the consumption of net position that applies to future reporting periods. The College’s deferred inflows and outflows, and changes therein, stem primarily from the MPSERS plan and include changes in actuarial assumptions, differences between expected and actual experience, changes in the proportionate share of the pension and OPEB liabilities, and contributions to the plan subsequent to the measurement date.

Net Position

The following chart provides a graphic breakdown of net position by category as of June 30, 2022, 2021, and 2020:



The College's net position was $28.4 million as of June 30, 2022, an increase of $6.8 million from prior year. Net position increased by $1.6 million in fiscal year 2022 before the effects of GASB 68 and 75. The College's net position was $21.6 million as of June 30, 2021, an increase of $1.0 million from prior year. Net position increased by $1.9 million in fiscal year 2021 before the effects of GASB 68 and 75.

Statements of Revenues, Expenses and Changes in Net Position

Following is a comparison of the major components of the College's operating results for the years ended June 30, 2022, 2021, and 2020:

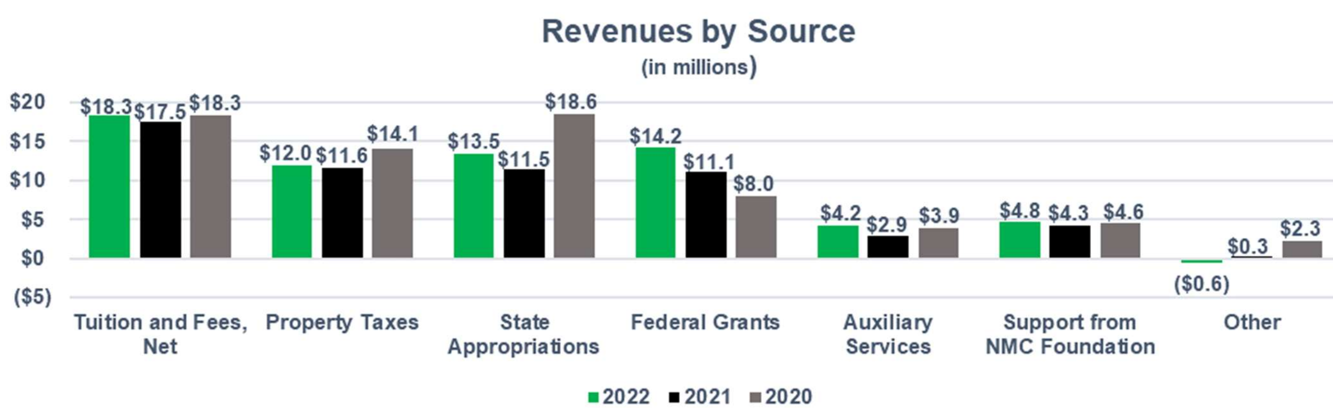
	Operating Results for the Years Ended June 30 (in thousands)		
	2022	2021	2020
Total operating revenues	$ 26,753	$ 22,758	$ 25,837
Total operating expenses	58,886	57,592	60,764
Operating loss	(32,133)	(34,834)	(34,927)
Net nonoperating revenues and capital contributions	38,926	35,851	43,059
Change in net position	6,793	1,017	8,132
Net position – beginning of year	21,643	20,626	12,494
Net position – end of year	$ 28,436	$ 21,643	$ 20,626

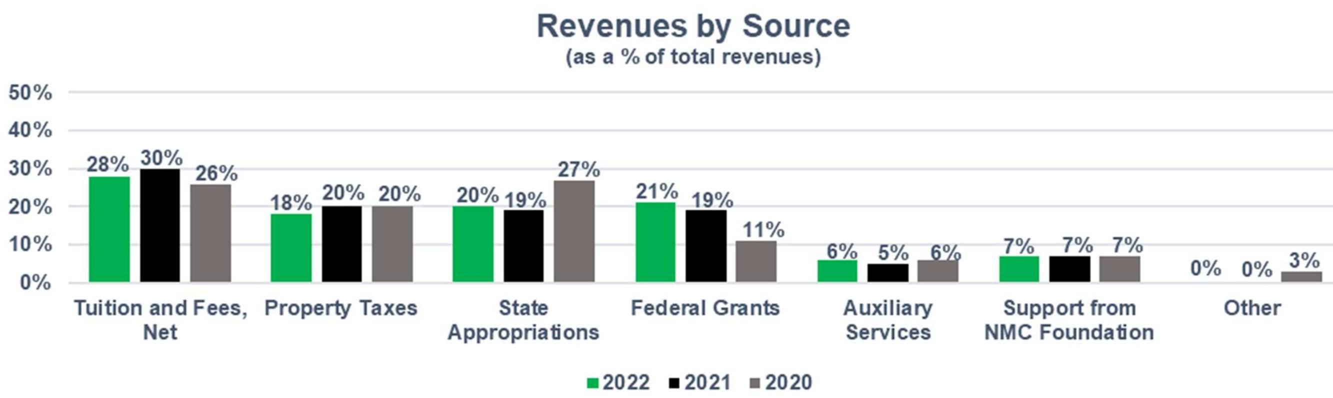
Total Revenues

Total revenues increased $7.1 million in fiscal year 2022 due to a $1.6 million increase in federal COVID-19 funding, $1.3 million increase in auxiliary sales, a $1.4 million increase in other federal grant funding, and a $1.3 million increase in state capital appropriations in 2022 vs. 2021 due to the Timothy J. Nelson Innovation Center building project finishing under budget. The increase in auxiliary sales was due to the resumption of operations that were limited during previous fiscal years due to the pandemic. Operating property tax revenues increased due to increases in underlying taxable values, offset by abatements and millage reductions due to the Headlee Amendment. Debt-related property tax revenue remained at $0 in 2022 as the College made final payments on remaining debt service obligations during fiscal year 2021. Support from component unit increased primarily due to additional Foundation support provided for the Dennos Museum in 2022. Federal grant revenue increased due to the additional rounds of HEERF (II and III) funding recognized in fiscal year 2022.

Total revenues decreased $10.3 million in fiscal year 2021 due primarily to the College recognizing $7.2 million in State capital appropriations in fiscal year 2020 vs. a $900,000 reduction in revenue in fiscal year 2021. Additionally, tuition and fees decreased $770,000 due to a 9.4% decrease in billable contact hours ($1.6 million decrease) and the College freezing its tuition rates for fiscal year 2021. Additionally, the College lost a substantial amount of revenue due to closures or cancellations stemming from the pandemic including non-credit tuition revenue losses ($346,000), cancellation of events held in the Hagerty Center ($724,000), and various other revenue delays and losses, offset in part by increased aviation flight fee revenue as face-to-face aviation training returned during fiscal year 2021 ($546,000). Operating property tax revenues increased due to increases in underlying taxable values, offset by abatements. However, debt-related property tax revenue decreased by $2.5 million as the College made final payments on remaining debt service obligations during fiscal year 2021. Support from component unit decreased due to the timing of debt obligations payments made between fiscal year 2021 and 2020; this was partially offset by an additional $200,000 of support provided to the College by the Foundation due to the pandemic. The Foundation also reduced scholarship support by $171,000 to return to similar amounts provided in years prior to fiscal year 2020 (see note below). Federal grant revenue increased due to the additional rounds of HEERF (II and III) funding awarded in fiscal year 2021.

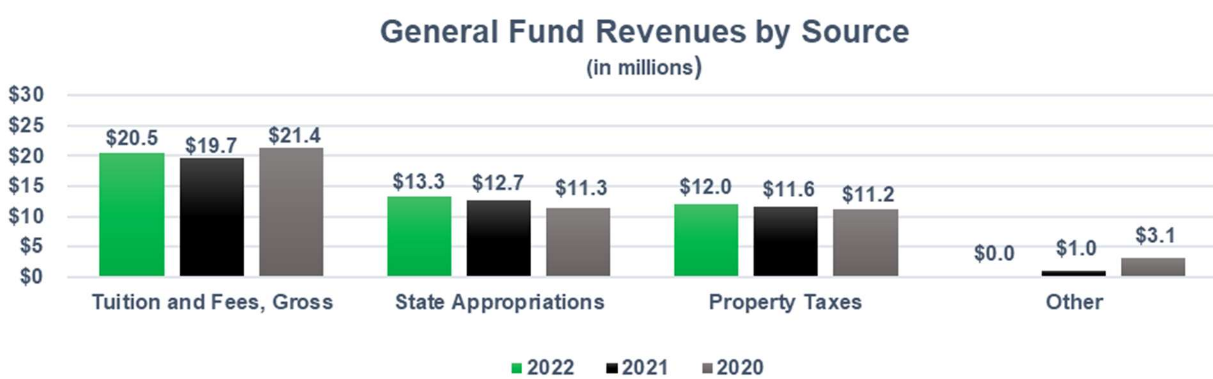
The following graphs illustrate total revenues by source, by dollars and percentages, for the years ended June 30, 2022, 2021, and 2020:

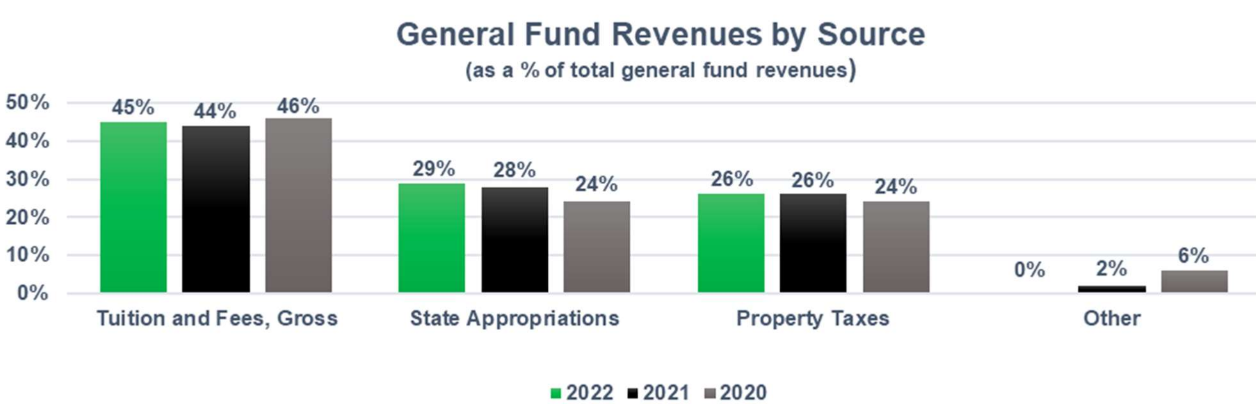




General Fund Revenues

The College accounts for its primary operations and programs within its General Fund. The primary General Fund revenue sources are tuition and fees, state appropriations, property taxes, federal grants, and support from the NMC Foundation. The following graphs illustrate total General Fund revenues by source, by dollars and percentages, for the years ended June 30, 2022, 2021, and 2020:





Operating Revenues

The College classifies as operating revenues any sales or receipts derived from primary operations of the College such as tuition, fees, housing, and other auxiliary operations. In addition, certain Federal, State, and private grants are considered operating if they are not for capital purposes and are deemed a contract for services. The following table shows the sources of operating revenues for the years ended June 30, 2022, 2021, and 2020:

	Operating Revenues by Source Years Ended June 30 (in thousands)		
	2022	2021	2020
Tuition and fees, net	$ 18,259	$ 17,541	$ 18,311
Federal grants	3,037	1,626	1,962
State grants	211	123	135
Auxiliary services	4,169	2,938	3,938
Other operating	1,077	529	1,491
Total operating revenues	$ 26,753	$ 22,757	$ 25,837

Changes in operating revenues for fiscal year 2022 were as follows:

- Tuition and fees increased $718,000 due to increased contact hours and rates ($717,000), increased offerings and related revenue for the College's non-credit enrichment program ($228,000), more aviation flight fees ($162,000), and the resumption of study abroad ($147,000) and aviation's summer international program ($71,000). These were partially offset by the College's elimination of its Flexible Learning Online (F.L.O.) fee for the 2021-2022 academic year. The F.L.O. fee was a per contact hour fee charged for online courses that generated $492,000 less in fiscal year 2022 revenues than the previous year.

- Federal grant revenue from operations increased $1.4 million due primarily to an increase in the direct support from MARAD for the Great Lakes Maritime Academy of $658,000 from the prior year.

- Auxiliary and other operating sources increased due to the ability to reopen and resume activities following the impacts of COVID-19 in prior years, including elimination of capacity limits on student housing and resumption of operations at the Hagerty Center and Dennos Museum.

Changes in operating revenues for fiscal year 2021 were as follows:

- Tuition and fees decreased $770,000 due to lost revenue related to limited offerings for the College's non-credit tuition program ($346,000), and a 9.4% decline in billable contact hours associated with a tuition decrease of 10.4% ($1.6 million) offset by an increase in aviation flight fees as training flights operated for the full fiscal year ($546,000).

- Federal grant revenue from operations decreased $336,000 due primarily to a decrease in the direct support from MARAD for the Great Lakes Maritime Academy of $321,000 from the prior year.

- Auxiliary and other operating sources decreased due to the impact of COVID-19 including capacity limits on student housing and suspension of events at the Hagerty Center and Dennos Museum.

Nonoperating Revenues and Capital Contributions

Nonoperating revenues are non-exchange in nature, meaning that the College receives value without directly giving equal value in return. Nonoperating revenues include state appropriations, Federal Pell grants, property taxes, support from component unit, and investment income. Capital contributions include state capital appropriations. The following table shows the amounts of these sources of nonoperating revenues for the years ended June 30, 2022, 2021, and 2020:

	Nonoperating Revenues and Capital Contributions by Source Years Ended June 30 (in thousands)		
	2022	2021	2020
State appropriations	$ 13,100	$ 12,420	$ 11,448
Pell grants	3,609	3,607	4,286
Federal COVID Funding	7,526	5,912	1,679
Property taxes	11,962	11,572	14,076
Support from the Foundation	4,758	4,338	4,649
Investment loss (income)	(1,705)	(338)	574
State capital appropriations	408	(893)	7,199
Total nonoperating revenues and capital contributions	$ 39,658	$ 36,618	$ 43,911

Nonoperating revenue and capital contribution changes included the following factors for fiscal year 2022:

- State appropriations for general operations increased by $0.7 million, or 5.5%. State appropriations for the MPSERS UAAL pass-through funding increased by $251,000 from the prior fiscal year. The College received additional support from the State of $425,000, a decrease of $2,000 to help offset mandatory increases in employer contribution rates. The State's payments in lieu of property taxes of $177,000 decreased by $8,000 from prior year.

- Federal COVID Funding increased largely due to the recognition of $3.4 million of revenue that was deferred from fiscal year 2021 due to the legislation date falling in fiscal year 2022 for eligible expenses and lost revenue incurred in fiscal year 2021. In addition, the College disbursed $3.7 million in student emergency grants and utilized its remaining $400,000 in institutional funding during fiscal year 2022.

- Property tax revenue increased by $0.4 million, or 3.4%, due to a 4.7% increase in taxable values, offset by tax abatements and millage rate erosion due to the Headlee Amendment.

- Northwestern Michigan College Foundation support included $1.5 million for scholarships, an increase of $8,000. The remaining support of $3.2 million was for debt service payments on sponsored projects, the Dennos Museum, instructional programs, board strategic initiatives, and general support.

- Investment income decreased by $1.4 million due in large to the market's response to the pandemic. The College recognized unrealized losses of $1.9 million and $525,000 in fiscal years 2022 and 2021, respectively; a net reduction of $1.4 million from prior year. Low interest rates in the market for the majority of the fiscal year resulted in interest income of $179,000, a decrease of $6,000 from prior year.

- The increase in state capital appropriations revenue is due to the completion of the Timothy J. Nelson Innovation Center building project, which finished under budget. The College received final payments in fiscal year 2022 for its 50% share of the project savings.

Nonoperating revenue and capital contribution changes included the following factors for fiscal year 2021:

- State appropriations for general operations increased by $1.1 million, or 12.6%. State appropriations for the MPSERS UAAL pass-through funding did not change from the prior fiscal year. The College received additional support from the State of $427,000, a decrease of $31,000 to help offset mandatory increases in employer contribution rates. The State's payments in lieu of property taxes of $185,000 decreased by $14,000 from prior year.

- Through the CARES Act and CRRSAA, the College was awarded multiple grants as follows: allocated HEERF grants of $2.2 million and spent $0.5 million as of June 30, 2021 (remainder spent in fiscal year 2020), allocated CRF grants of $1.1 and spent $1.1 million as of June 30, 2021, and allocated HEERF II grants of $4.3 and spent $4.3 million as of June 30, 2021.

- Property tax revenue decreased by $2.5 million or 17.8%. Operational property tax revenue increased by $405,000, or 3.6%, due to increases in taxable values of 5.3% offset by property tax abatements. Debt-related property tax revenue decreased by $2.5 million as a result of the College's debt millage expiring after satisfying the related debt in the prior year.

- Northwestern Michigan College Foundation support included $1.5 million for scholarships, a decrease of $171,000. The remaining support of $2.7 million was for debt service payments on sponsored projects, the Dennos Museum, instructional programs, board strategic initiatives, and general support.

- Investment income decreased by $912,000 due in large to the market's response to the pandemic. The College recognized unrealized gains/(losses) of ($525,000) and $43,000 in fiscal years 2021 and 2020, respectively; a net reduction of $568,000 from prior year. Low interest rates in the market resulted in interest income of $185,000, a decrease of $345,000 from prior year.

- The decrease in state capital appropriations revenue is due to the completion of the Timothy J. Nelson Innovation Center building project during the fiscal year.

Operating Expenses

Operating expenses include all the costs necessary to perform and conduct the programs and primary functions of the College such as wages and benefits, professional services, software and technology maintenance, utilities, staff development, and depreciation expense. In the College's external financial statements, these expenses are categorized by function in accordance with the *Michigan Community College Data Inventory Report* requirements. Total operating expenses increased by $1.3 million (2.2%) for fiscal year 2022 after decreasing by $3.1 million (-5.2%) in fiscal year 2021. The following table summarizes operating expenses by function for the years ended June 30, 2022, 2021, and 2020:

	Operating Expenses by Function Years Ended June 30 (in thousands)		
	2022	2021	2020
Instruction	$ 16,147	$ 17,518	$ 17,775
Public service	1,541	1,508	2,484
Academic support	6,819	7,179	7,739
Student services	14,406	11,753	12,417
Institutional administration	6,460	6,316	6,889
Operation and maintenance of plant	4,633	4,940	5,191
Depreciation	5,011	4,672	4,435
Information technology	3,869	3,706	3,835
Total operating expenses	$ 58,886	$ 57,592	$ 60,765

Highlights of the major changes between fiscal years 2022 and 2021 by category are as follows:

- Instruction and academic support costs decreased due primarily to negative adjustments of $2.5 million and $867,000, respectively, for changes in the net pension and OPEB liabilities and their related deferred inflows and outflows.

- Student services increased due primarily to the ARPA student awards of $3.7 million.

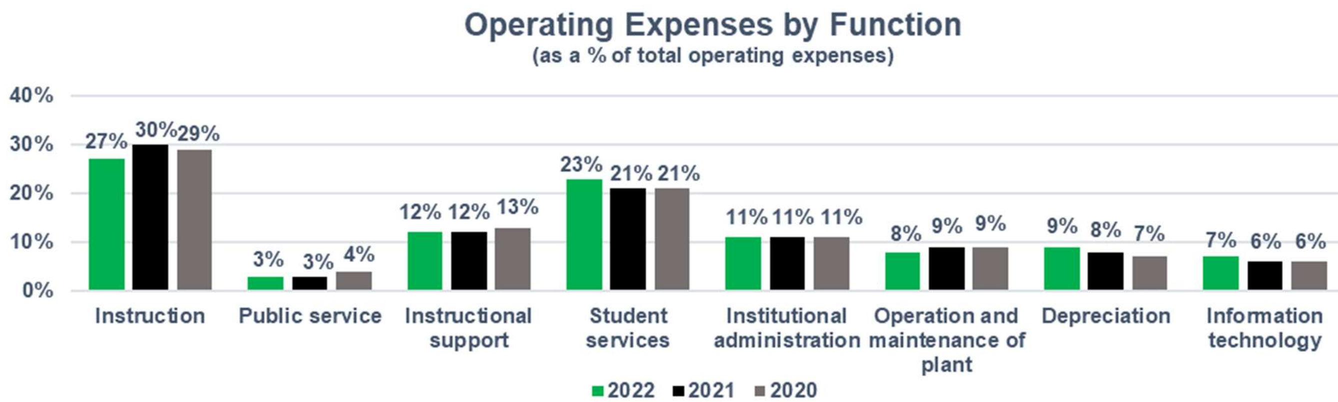
Highlights of the major changes between fiscal years 2021 and 2020 by category are as follows:

- Most functional operating expense categories decreased in fiscal year 2021 due to the impact of COVID-19 and closure of campus. Instruction costs decreased due to direct reductions in supplies stemming from the continued limitation of in-person instruction offered during the fiscal year.

- Public services decreased due primarily to closure of the Hagerty Center, the College's conferencing and events center, for the entire fiscal year in addition to limiting its operations for the Dennos Museum due to the pandemic.

- Student services decreased due primarily to a decrease in Pell grant awards of $679,000.

For external reporting purposes, the College's funds are consolidated and internal expenses are eliminated. The following graph illustrates the composition of operating expenses for the years ended June 30, 2022, 2021, and 2020:



Statements of Cash Flows

Another way to assess the College's financial health is by analyzing the statements of cash flows. This statement's primary purpose is to provide relevant information about the cash inflows and outflows of the College during a period of time. This statement also helps users assess the following:

- The College's ability to generate future cash flows
- Its ability to meet existing obligations as they come due
- Its needs for external financing

A summary of the College's cash flows for the years ended June 30, 2022, 2021, and 2020 is as follows:

	Cash Flows Years Ended June 30 (in thousands)		
	2022	2021	2020
Cash (used in) provided by:			
Operating activities	$ (32,954)	$ (28,534)	$ (26,582)
Noncapital financing activities	38,847	36,344	31,193
Capital financing activities	(3,831)	(1,732)	(13,314)
Investing activities	185	(5,201)	5,004
Net(decrease) increase in cash	2,247	878	(3,699)
Cash and cash equivalents, beginning of year	13,849	12,971	16,670
Cash and cash equivalents, end of year	$ 16,096	$ 13,849	$ 12,971

Cash inflows from operating activities include receipts for tuition and fees, grants, contracts, and auxiliary activities, which include student housing, the Dennos Museum, University Center, Hagerty Center, and the bookstore. These cash inflows are offset by outflows for vendor and employee payroll payments. For fiscal year 2022, net cash used in operating activities increased primarily due to increases in personnel costs which was partially offset by increased receipts for auxiliary activities and decreased vendor expenses. For fiscal year 2021, net cash used in operating activities increased primarily due to reductions in receipts for tuition, fees, and auxiliary activities.

Cash inflows provided by noncapital financing activities include primarily receipts for the College's nonoperating revenues such as state appropriations, property taxes, Pell grants, and support from the Foundation for purposes other than capital. The increase in fiscal year 2022 is due primarily to increased receipts in noncapital state appropriations. The increase in fiscal year 2021 is due primarily to increased receipts in federal COVID funding.

Cash used in capital and related financing activities increased in fiscal year 2022 compared to fiscal year 2021 due to the fulfillment of capital funding from the State in 2021. Cash used in capital and related financing activities decreased in fiscal year 2021 due to the receipt of the capital funding from the State related to the construction of the Timothy J. Nelson Innovation Center.

Cash provided by or used in investing activities fluctuates depending on the timing of purchases and sales of investments. Cash used by investing activities increased in 2022 due to less investment activity and an unfavorable investment market. Similar to 2022, cash used by investing activities increased in 2021 due to less investment activity and an unfavorable investment market.

Capital Assets

At June 30, 2022, the College had $173 million invested in capital assets before accumulated depreciation of $95 million. Depreciation charges totaled $5.0 million for the current fiscal year. Details of these assets are as follows:

	Capital Assets as of June 30 (in thousands)		
	2022	2021	2020
Land and land improvements	$ 10,408	$ 10,366	$ 10,374
Infrastructure	7,924	7,895	7,845
Buildings and improvements	120,096	118,420	98,729
Furniture, fixtures, and equipment	34,582	33,288	31,378
Construction in progress	29	876	20,195
Capital assets	$ 173,039	$ 170,845	$ 168,521

Additional information regarding capital assets can be found in Note 6 to the financial statements.

Debt Administration

The College's most recent bond rating by Standard & Poor's was AA. The College's most recent bond rating by Moody's was A1. The College had the following outstanding debt balances at June 30, 2022, 2021, and 2020:

	Debt Outstanding as of June 30 (in thousands)		
	2022	2021	2020
Bonds payable	$ 24,108	$ 25,414	$ 26,675

Additional information regarding the College's debt can be found in Note 7 to the financial statements.

Economic Factors That Will Affect the Future

The economic outlook for the College is strongly tied to national and state economic conditions. Although federal and state appropriations have been determined for the upcoming fiscal year, it is important to note that in times of financial constraint, such funding can be adversely impacted. The College currently faces uncertainty due to the increased likelihood of a recession in the near future following more than a year of rapid inflation in the U.S., as the Federal Reserve seeks to slow the economy through a series of interest rate hikes through calendar year 2022. In times of increasing unemployment, community colleges often experience increased enrollment as students forgo a weak job market to seek new skills or learn a new trade. However, that traditional cycle may be counteracted by a lingering pandemic and changes in the public's perception of higher education.

Additionally, regional, state, and national data all indicate declining trends in birth rates and numbers of high school graduates. The College combats these trends through its strategic plan, which addresses the decline in student enrollment by investing in our distinctive programs, student success, and future focused education. The strategic plan seeks to expand flexible learning options and programs that can attract students from outside the region, such as our new Maritime Culinary Certificate program kicking off in Fall 2023. The plan also provides a diverse learning experience for regional students, which may lead to increases in the College's market share. The College maintains adequate operating reserves to address economic volatility that could impact its operations.

The College will receive a 2.6% increase in state appropriations for general operations during fiscal year 2023 based on the baseline appropriations for fiscal year 2022. The College's fiscal year 2023 budget also includes increased property tax revenue of 6.1% for expected increases in taxable values. For tuition, the College charges rates based on the primary residence of the student, including categories for in-district, in-state, out of state, or international. Further, the College uses a tiered structure to accommodate higher-cost programs such as its maritime, culinary, automotive, audio-technology, and nursing programs. To offset inflation and rising labor costs, the Board of Trustees approved a 5.0% rate increase for the 2022-2023 academic year. The College's Fall 2023 contact hours decreased 5.7% against a budgeted 2.0% decrease.

The College has separate labor agreements with its maintenance, custodial, and grounds employees, its faculty, and its academic chairs. The maintenance, custodial, and grounds agreement expires December 31, 2022. The faculty and academic chair agreements were renewed in July 2022 covering the 3-year period from August 1, 2022 to July 31, 2025. The 2023 fiscal year budget includes staff salary increases, which will be determined after Fall enrollment and other factors are known and go into effect January 1, 2023. Approximately 85% of College employees participate in the MPSERS, which mandates employer contributions to the plan. Required employer contribution rates have been on the rise in efforts to fully-fund and provide economic certainty for retiree pension and healthcare benefits. While there are various plans within the MPSERS, the contribution rate for the plan with the majority of the College's employees was set at 28.2% for the State's fiscal year ending September 30, 2023. Contribution rates for future years are unknown, but are expected to continue trending upwards.

With the guidance of GASB 68 and GASB 75, the College now reports its proportionate share of the net pension and net OPEB liabilities related to the MPSERS plans on its statements of net position. While the implementation of these standards have adversely impacted the College's net position, their application has not impacted the College's bond rating, cash position, nor its ability to meet current obligations. The State is projecting that the unfunded actuarial accrued liability will be fully-funded in approximately 25 years.

Following the private sector's adoption of balance sheet accounting for leases, the Governmental Accounting Standards Board issued GASB Statement No. 87, *Leases,* in June 2017 which is effective for the College's fiscal year 2022. The statement addresses the accounting for short and long-term leases for lessors and lessees. Since the College does not currently have significant leasing arrangements, this standard did not impact the College's financial statements during fiscal year 2022. The College will continue to monitor its leasing arrangement and the related financial statement impact of GASB 87.

The College is self-funded for its employee health benefit costs. Employees are required to contribute to the plan with the enactment of Public Act 152 of 2011. The College's healthcare costs have stabilized in recent years.

The College has reviewed its cash flow data and reserve funds. Northwestern Michigan College is financially positioned to continue normal operations.

Board of Trustees and Administrative Officials

June 30, 2022

Statement of Net Position

June 30, 2022 and 2021

	2022	2021
Assets		
Current assets:		
Cash and cash equivalents (Note 3)	$ 13,907,368	$ 11,660,987
Receivables - Net (Note 5)	8,716,535	9,371,057
Prepaid expenses and other assets	1,758,808	1,564,992
Total current assets	24,382,711	22,597,036
Noncurrent assets:		
Restricted cash and cash equivalents - Unspent bond proceeds (Note 3)	2,188,628	2,187,806
Investments (Note 3)	16,481,943	18,372,322
Capital assets - Net (Note 6)	78,217,737	81,034,451
Total noncurrent assets	96,888,308	101,594,579
Total assets	121,271,019	124,191,615
Deferred Outflows of Resources (Note 8)	10,280,489	15,381,909
Liabilities		
Current liabilities:		
Accounts payable	953,180	1,438,040
Accrued liabilities and other:		
Accrued wages and benefits	2,896,712	2,621,524
Accrued interest payable	120,386	126,832
Unearned revenue	2,168,238	5,812,123
Long-term obligations - Current (Note 7)	2,463,074	2,682,274
Total current liabilities	8,601,590	12,680,793
Noncurrent liabilities:		
Net pension liability (Note 8)	38,026,148	56,797,390
Net OPEB liability (Note 8)	2,390,998	8,622,821
Long-term obligations - Net of current portion (Note 7)	23,267,272	24,478,487
Deposits	2,426,486	1,665,120
Total noncurrent liabilities	66,110,904	91,563,818
Total liabilities	74,712,494	104,244,611
Deferred Inflows of Resources (Note 8)	28,403,470	13,685,818
Net Position		
Net investment in capital assets	56,298,239	57,808,257
Unrestricted (Note 9)	(27,862,695)	(36,165,162)
Total net position	**$ 28,435,544**	**$ 21,643,095**

See notes to financial statements.

Statement of Revenue, Expenses, and Changes in Net Position

Years Ended June 30, 2022 and 2021

	2022	2021
Operating Revenue		
Student tuition and fees - Net of scholarship allowance of $2,448,579 and $2,493,650 for 2022 and 2021, respectively	$ 18,259,173	$ 17,541,197
Federal grants and contributions	3,037,004	1,626,052
State grants and contributions	211,470	123,205
Private gifts, grants, and contracts	103,389	73,970
Other sources	973,604	454,810
Sales and services of auxiliary activities	4,168,682	2,938,226
Total operating revenue	26,753,322	22,757,460
Operating Expenses		
Instruction	16,147,344	17,518,001
Public service	1,540,998	1,507,705
Academic support	6,819,324	7,178,877
Student services	14,405,963	11,752,668
Institutional administration	6,460,406	6,316,285
Operation and maintenance of plant	4,632,834	4,940,289
Depreciation	5,010,890	4,671,562
Information technology	3,868,454	3,706,320
Total operating expenses	58,886,213	57,591,707
Operating Loss	(32,132,891)	(34,834,247)
Nonoperating Revenue (Expense)		
State appropriations	13,100,187	12,419,660
Federal Pell grants	3,609,493	3,606,784
Federal COVID-19 funding	7,526,225	5,912,440
Property taxes	11,961,680	11,572,372
Support from component unit	4,757,638	4,337,904
Investment loss	(1,705,334)	(338,322)
Bond issuance and amortization costs	28,374	30,374
Interest expense on capital-related debt	(761,020)	(797,171)
Total nonoperating revenue	38,517,243	36,744,041
Income - Before capital contributions - State capital appropriations	6,384,352	1,909,794
Capital Contributions - State capital appropriations	408,097	(892,909)
Change in Net Position	6,792,449	1,016,885
Net Position - Beginning of year	21,643,095	20,626,210
Net Position - End of year	**$ 28,435,544**	**$ 21,643,095**

See notes to financial statements.

Statement of Cash Flows

Years Ended June 30, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities		
Tuition and fees	$ 18,447,593	$ 17,920,015
Grants and contracts	3,529,707	5,778,723
Payments to suppliers	(31,767,385)	(34,456,219)
Payments to employees	(27,978,276)	(21,024,323)
Auxiliary activities receipts	4,168,682	2,938,226
Other	645,597	309,808
Federal direct lending receipts	5,178,834	5,489,094
Federal direct lending disbursements	(5,178,834)	(5,489,094)
Net cash and cash equivalents used in operating activities	(32,954,082)	(28,533,770)
Cash Flows from Noncapital Financing Activities		
Property taxes	11,961,680	11,569,141
Gifts and contributions for other than capital purposes	4,353,970	3,735,009
State appropriations	13,206,933	11,551,295
Pell grants	3,609,493	3,606,784
Federal COVID-19 funding	5,715,209	5,881,712
Net cash and cash equivalents provided by noncapital financing activities	38,847,285	36,343,941
Cash Flows from Capital and Related Financing Activities		
Purchase of capital assets	(2,194,176)	(2,651,216)
Proceeds from the sale of capital assets	-	57,000
Principal paid on capital debt	(1,275,000)	(1,230,000)
Interest paid on capital debt	(769,966)	(803,889)
Capital property taxes	-	3,231
Capital appropriations	408,097	2,892,928
Net cash and cash equivalents used in capital and related financing activities	(3,831,045)	(1,731,946)
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	18,198,083	36,403,237
Interest and investment loss - Net	(3,595,814)	(863,268)
Purchase of investments - Net	(14,417,224)	(40,740,701)
Net cash and cash equivalents provided by (used in) investing activities	185,045	(5,200,732)
Net Increase in Cash and Cash Equivalents	2,247,203	877,493
Cash and Cash Equivalents - Beginning of year	13,848,793	12,971,300
Cash and Cash Equivalents - End of year	**$ 16,095,996**	**$ 13,848,793**
Classification of Cash and Cash Equivalents		
Cash and cash equivalents	$ 13,907,368	$ 11,660,987
Restricted cash and cash equivalents	2,188,628	2,187,806
Total cash and cash equivalents	**$ 16,095,996**	**$ 13,848,793**

See notes to financial statements.

Years Ended June 30, 2022 and 2021

	2022	2021
Reconciliation of Operating Loss to Net Cash and Cash Equivalents from Operating Activities		
Operating loss	$ (32,132,891)	$ (34,834,247)
Adjustments to reconcile operating loss to net cash and cash equivalents from operating activities:		
Depreciation	5,010,890	4,671,562
Loss on disposal of assets	-	33,145
Changes in assets and liabilities:		
Receivables	(512,041)	(532,745)
Prepaid expenses and other assets	(193,816)	(399,303)
Deferred outflows of resources	5,101,420	3,951,056
Accounts payable	(484,860)	(3,028,902)
Accrued liabilities and other	275,188	65,945
Unearned revenue	550,298	4,722,523
Compensated absences	(124,541)	109,785
Net pension liability	(18,771,242)	(1,094,626)
Net OPEB liability	(6,231,823)	(3,664,667)
Deferred inflows of resources	14,559,336	1,466,704
Net cash and cash equivalents used in operating activities	**$ (32,954,082)**	**$ (28,533,770)**

Discretely Presented Component Unit
Statement of Financial Position - Northwestern Michigan College Foundation

June 30, 2022 and 2021

	2022	2021
Assets		
Cash and cash equivalents	$ 6,950,728	$ 7,468,832
Investments	47,175,891	52,589,579
Pledges receivable - Net of allowance	3,072,640	3,517,372
Cash surrender value of life insurance	577,710	532,949
Prepaid expenses and other assets	-	6,106
Total assets	**$ 57,776,969**	**$ 64,114,838**
Liabilities		
Accounts payable	$ 37,563	$ 24,662
Deferred revenue	2,256	100,514
Payable to Northwestern Michigan College	3,187,979	2,772,812
Split-interest agreements payable	38,855	74,082
Total liabilities	3,266,653	2,972,070
Net Assets		
Without donor restrictions	4,318,130	5,471,633
With donor restrictions	50,192,186	55,671,135
Total net assets	54,510,316	61,142,768
Total liabilities and net assets	**$ 57,776,969**	**$ 64,114,838**

See notes to financial statements.

Discretely Presented Component Unit
Statement of Activities - Northwestern Michigan College Foundation

Years Ended June 30, 2022 and 2021

	2022	2021
Revenue, (Losses) Gains, and Other Support		
Contributions	$ 3,738,663	$ 5,720,591
Special event revenue	293,305	309,228
Net realized and unrealized (losses) gains on investments	(6,737,378)	10,992,765
Investment income	1,144,212	926,124
Change in value of split-interest agreements	34,001	38,577
Total revenue, (losses) gains, and other support	(1,527,197)	17,987,285
Expenses		
Program expenses - Distributions to the College	3,982,552	3,361,851
Management and general	55,511	40,764
Fundraising	1,067,192	1,205,588
Total expenses	5,105,255	4,608,203
Change in Net Assets	(6,632,452)	13,379,082
Net Assets - Beginning of year	61,142,768	47,763,686
Net Assets - End of year	**$ 54,510,316**	**$ 61,142,768**

Note 1 - Significant Accounting Policies

Reporting Entity

Northwestern Michigan College (the "College") is a Michigan community college whose financial statements have been prepared in accordance with generally accepted accounting principles, as applicable to public colleges and universities outlined in Governmental Accounting Standards Board (GASB) Statement No. 35 and the *Manual for Uniform Financial Reporting - Michigan Public Community Colleges, 2001*.

The accompanying financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational or financial relationships with the College. Based on the application of the criteria, the College has one component unit. A component unit is a separate legal entity that is included in the College's reporting entity because of the significance of its operational financial relationship with the College.

Northwestern Michigan College Foundation (the “Foundation”) is a separate legal entity established as a 501(c)(3) corporation to solicit, collect, hold, and invest donations made for the promotion of educational activities at the College and to augment the facilities of the College. Although the College does not necessarily control the timing or amount of receipts from the Foundation, the majority of resources, or income earned thereon, and the Foundation’s holdings and investments are restricted by the donors for the activities of the College. Because these restricted resources held by the Foundation can be used only by, or for the benefit of, the College, the Foundation is considered a component unit of the College. Certain revenue recognition criteria and presentation features are different from those under GASB. No modifications have been made to the Foundation's financial information included in the College's financial report to account for these differences. Separate financial statements of the Foundation may be obtained by contacting Northwestern Michigan College Foundation,1701 East Front Street, Traverse City, MI 49686.

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

Basis of Accounting

The financial statements of the College use the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Cash and Cash Equivalents

Cash and cash equivalents consist of all highly liquid investments with an initial maturity of three months or less when acquired.

Investments

Investments are reported at fair value. Realized and unrealized gains and losses are reflected in the statement of revenue, expenses, and changes in net position as investment income. During fiscal years 2022 and 2021, there was $(1,890,480) and $(524,946) of unrealized losses, respectively, on investments the College recognized.

Restricted Cash and Cash Equivalents

The proceeds of the 2016 Community College Facilities Bonds are held in cash and investments and restricted for capital projects.

Note 1 - Significant Accounting Policies (Continued)

Capital Assets

Capital assets are recorded at cost or, if donated, the acquisition value at the time of donation. Expenses for maintenance and repairs are charged to current expenses as incurred. Depreciation is computed using the straight-line method. No depreciation is recorded on land and the art collection. Expenses for major renewals and betterments that extend the useful lives of the assets are capitalized. Interest incurred during the construction of capital assets of business-type activities is expensed as incurred. Management reviews capital assets for impairment annually.

Capital assets are depreciated using the straight-line method over the following useful lives:

	Depreciable Life - Years
Buildings/Building improvements	30-40
Land improvements and infrastructure	15
Furniture, fixtures, and equipment	4-10
Docks	10

Deferred Outflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until then. The College reports deferred outflows of resources for certain pension-related and OPEB-related amounts, such as change in expected and actual experience, changes in assumptions, and certain contributions made to the plan subsequent to the measurement date. More detailed information can be found in Note 8.

Unearned Revenue

Revenue received prior to year end that is related to the next fiscal period is recorded as unearned revenue or deposits. The balance consists of approximately $157,000 and $197,000 for the 2022 and 2021 fall semester; approximately $894,000 and $1,064,000 for the 2022 and 2021 summer semesters, respectively; and approximately $0 and $151,000 for the housing payable for the Maritime program for 2022 and 2021, respectively. Grants received prior to qualifying expenses of approximately $1,117,000 and $4,400,000 for 2022 and 2021, respectively, are also included in unearned revenue. Generally, the College first applies restricted resources when an expense is incurred for which both restricted and unrestricted resources are available.

Pension

For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public School Employees' Retirement System (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. MPSERS uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expense when due and payable in accordance with the benefit terms. Related plan investments are reported at fair value.

Note 1 - Significant Accounting Policies (Continued)

Other Postemployment Benefit Costs

For the purpose of measuring the net other postemployment benefit (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the MPSERS and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. MPSERS uses the economic resources measurement focus and the full accrual basis of accounting. For this purpose, MPSERS recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity of one year or less at the time of purchase, which are reported at cost.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position will report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue or expense reduction) until that time. The College reports deferred inflows of resources for certain pension-related and OPEB-related amounts, such as the difference between projected and actual earnings of the plan’s investments. More detailed information can be found in Note 8.

Net Position

Net position is classified according to external donor restrictions or availability of assets for satisfaction of college obligations. Restricted net position represents amounts over which third parties have imposed restrictions that cannot be changed by the board, including amounts that the board has agreed to set aside under contractual agreements with third parties. Generally, the College first applies restricted resources when an expense is incurred for which both restricted and unrestricted resources are available. Unrestricted net position represents net position that is not subject to externally imposed constraints. Unrestricted net position may be designated for specific purposes by action of management or the board of trustees. Net investment in capital assets consists of capital assets, net of accumulated depreciation and net of related debt.

Tuition and Fees

The academic programs are offered in traditional fall and spring semesters. Revenue from tuition and student fees is recognized during the academic term. Revenue from the summer semester, which commences in May and ends in August, is split and recognized proportionally to the number of days of the semester within the fiscal year. Tuition revenue is reported at established rates net of institutional financial aid and discounts provided by the College to the students.

Scholarship Discounts and Allowances

Student tuition and fees are reported net of scholarship discounts and allowances in the statement of revenue, expenses, and changes in net position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants and other federal, state, or nongovernmental programs, are recorded as either operating or nonoperating revenue in the College's financial statements. To the extent that revenue from such programs is used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance.

Note 1 - Significant Accounting Policies (Continued)

Grants and Contributions

The College is often awarded grants from the federal government, the State of Michigan, and other agencies. Revenue from grants is recognized when all eligibility requirements, including time requirements, are met. Grants may be restricted for specific operating or capital purposes. Amounts restricted to capital acquisitions are reported after nonoperating revenue and expenses.

Federal Financial Assistance Programs

The College participates in federally funded Pell grants, Federal Supplemental Educational Opportunity Grants (SEOG) grants, Federal Work-Study, and Federal Direct Lending programs. Federal programs are audited in accordance with Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the compliance supplement.

During the years ended June 30, 2022 and 2021, the College distributed $5,178,834 and $5,489,094, respectively, for direct lending through the U.S. Department of Education, which is not included as revenue and expenditures on the accompanying financial statements.

Sales and Services of Auxiliary Activities

Auxiliary activities primarily represent revenue generated from housing, dining, conferences, and various other departmental activities that provide services to the student body, faculty, staff, and general public.

Operating and Nonoperating Revenue and Expenses

Revenue and expense transactions are normally classified as operating revenue and expenses when such transactions are generated by the College’s principal ongoing operations. However, revenue that is considered to be nonexchange, such as property tax revenue, state appropriations, federal COVID-19 funding, and Pell grants, is classified as nonoperating revenue.

Internal Service Activities

Revenue and expenses related to internal service activities, including conference services, postage, and telecommunications, have been eliminated.

Use of Estimates

The preparation of 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Significant Event Impacting the College

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus, now known as COVID-19, a pandemic. In response to the COVID-19 pandemic, governments have taken preventive or protective actions, such as temporary closures of nonessential businesses and shelter-in-place guidelines for individuals. As a result, the global economy has been negatively affected, and the College's operations were also impacted. Due to the shelter-in-place guidelines during April and May 2020, the College shifted to a remote online learning environment and sent students home. To offset the financial impact to students and the losses incurred by the College due to the disruption caused by COVID-19, the College received grants and other relief from the Coronavirus Aid, Relief, and Economic Security (CARES) Act; the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA); and the American Rescue Plan (ARP) Act.

Note 1 - Significant Accounting Policies (Continued)

For the year ended June 30, 2020, the College was allocated Higher Education Emergency Relief Fund (HEERF) grants under the CARES Act totaling $2,124,216, of which 50 percent was required to be given directly to students. The College also received $104,000 of Strengthening Institutions Program (SIP) funding as part of HEERF. During the year ended June 30, 2020, the College recognized HEERF grant revenue totaling $1,679,357. During the year ended June 30, 2020, state appropriation revenue was reduced, and, instead, the College received Coronavirus Relief Funds (CRF) of $1.1 million, which were required to be spent by December 30, 2020 on expenditures related to COVID-19.

For the year ended June 30, 2021, the College was allocated additional HEERF grants under CRRSAA and ARP totaling $11,330,448, as well as $173,226 of SIP. During the year ended June 30, 2021, the College recognized HEERF grant revenue totaling $4,840,240 and deferred revenue of $3,432,817 due to the eligibility requirement to provide grants to students in order to recognize the institutional portion. Additionally, the College recognized CRF grant revenue totaling $1,072,200 during the year ended June 30, 2021.

For the year ended June 30, 2022, the College recognized HEERF grant revenue totaling $7,526,225, of which $3,679,516 was disbursed as emergency grants to students, $313,892 for SIP, and the remainder was used for institutional expenses and lost revenue. As of June 30, 2022, the College has no remaining HEERF grant awards to disburse to students or spend.

Upcoming Accounting Pronouncements

In May 2020, the Governmental Accounting Standards Board issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, which defines SBITAs and provides accounting and financial reporting for SBITAs by governmental entities. This statement requires the College to recognize a subscription liability and an intangible right-to-use subscription asset for SBITAs. The College is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the College's financial statements for the year ending June 30, 2023.

In June 2022, the Governmental Accounting Standards Board issued Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences under a unified model. This statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means and establishes guidance for measuring a liability for leave that has not been used. It also updates disclosure requirements for compensated absences. The provisions of this statement are effective for the College's financial statements for the year ending December 31, 2024.

Note 2 - Property Taxes

Property tax revenue is recognized in the year for which taxes have been levied.

Property taxes are levied on July 1 and December 1 based on taxable values as of the preceding December 31. The taxes, which are collected and remitted to the College by townships and cities within the College's taxing district, are collected through February 28. Uncollected real property taxes of the College are turned over to the county in which the district is located for subsequent collection. The College is subsequently paid 100 percent of delinquent real property taxes through the county's tax revolving funds. These payments are usually received within three to five months after the delinquency date.

During the years ended June 30, 2022 and 2021, 2.0935 mills and 2.1137 mills, respectively, of tax per $1,000 of taxable property value in the College’s taxing district were levied for general operating purposes on all property. Total operating property tax revenue was $11,961,680 and $11,572,372 for the years ended June 30, 2022 and 2021, respectively.

Note 2 - Property Taxes (Continued)

The College’s property tax revenue is affected by tax abatements entered into by other governments. The College’s property tax revenue was reduced as follows for the years ended June 30, 2022 and 2021:

	2022	2021
City of Traverse City, Michigan	$ 164,689	$ 155,221
Blair Township	7,011	7,014
East Bay Township	1,938	1,953
Fife Lake Township	524	743
Garfield Township	73,417	73,154
Green Lake Township	5,686	6,113
Acme Township	407	405
Paradise Township	729	679
Long Lake Township	2,964	2,964
Peninsula Township	1,108	1,119
Total	$ 258,473	$ 249,365

Note 3 - Deposits and Investments

Deposits and investments are reported in the financial statements as follows:

	2022	2021
Cash and cash equivalents	$ 13,907,368	$ 11,660,987
Investments	16,481,943	18,372,322
Restricted cash and cash equivalents	2,188,628	2,187,806
Restricted investment securities	$ 32,577,939	$ 32,221,115

State statutes and the College's investment policy authorize the College to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The College is allowed to invest in U.S. Treasury or agency obligations, U.S. government repurchase agreements, bankers' acceptances, state obligations, commercial paper of corporations located in this state rated prime at the time of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The College's deposits are in accordance with statutory authority.

The College has designated Huntington Bank and Chase Bank for the deposit of its funds.

The College's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the College's deposits may not be returned to it. The College's investment policy requires that financial institutions be evaluated and only those with an acceptable risk level for custodial credit risk be used for the College's deposits. The College thoroughly examines the banks with which it chooses to deposit funds for the following qualifications: federally chartered, State of Michigan qualified depository, Federal Reserve System, FDIC member, compliance with Community Reinvestment Act, Bauer bank rating of adequate to good, and Bankrate rating of sound to performing. As of June 30, 2022, the College's operations and debt deposit balances of $4,379,508 had bank deposits of $3,879,508 (checking and savings accounts) that were uninsured and uncollateralized. As of June 30, 2021, the College's operations and debt deposit balances of $6,666,837 had bank deposits of $3,119,110 (checking and savings accounts) that were uninsured and uncollateralized. The College believes that, due to the dollar amount of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits.

Note 3 - Deposits and Investments (Continued)

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the College will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The College's policy for custodial credit risk states that custodial credit risk will be minimized by limiting investments to the types of securities allowed by state law and by prequalifying the financial institutions, broker/dealers, intermediaries, and advisors with which the College will do business using the criteria established in the investment policy. All investment securities that are uninsured and unregistered are held by counterparties.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The College's policy minimizes interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market.

Credit Risk

State law limits investments in commercial paper to prime ratings issued by nationally recognized statistical rating organizations. The College's investment policy does not further limit its investment choices.

Concentration of Credit Risk

The College’s policy minimizes concentration of credit risk by requiring diversification of the investment portfolio so that the impact of the potential losses from any one type of security or issuer will be minimized.

At year end, the College had the following investments and maturities:

	2022				
Description	Carrying Value	Less Than 1 Year	1-5 Years	5-10 Years	More Than 10 Years
Money market accounts	$ 359,582	$ 359,582	$ -	$ -	$ -
Commercial paper	10,340,946	10,340,946	-	-	-
U.S. government agency securities	16,481,943	-	4,620,650	11,861,293	-
Total investments in debt securities	$ 27,182,471	$ 10,700,528	$ 4,620,650	$ 11,861,293	$ -

	2021				
Description	Carrying Value	Less Than 1 Year	1-5 Years	5-10 Years	More Than 10 Years
Money market accounts	$ 2,182,010	$ 2,182,010	$ -	$ -	$ -
Commercial paper	4,363,647	4,363,647	-	-	-
U.S. government agency securities	18,373,322	-	8,685,572	9,686,750	-
Total investments in debt securities	$ 24,917,979	$ 6,545,657	$ 8,685,572	$ 9,686,750	$ -

Note 3 - Deposits and Investments (Continued)

At June 30, 2022 and 2021, the College's investments (commercial paper and U.S. government agency securities) subject to credit risk (interest rate fluctuations) and related ratings consisted of the following:

	June 30, 2022 S&P Quality Rating			
Investment	Aaa	AA+	A1	A2
U.S. government agency securities	$ 3,242,343	$ 13,239,600	$ -	$ -
Commercial paper	-	-	7,149,083	3,193,863
Total	$ 3,242,343	$ 13,239,600	$ 7,149,083	$ 3,193,863

	June 30, 2021 S&P Quality Ratings			
Investment	Aaa	AA+	A1	A2
U.S. government agency securities	$ 13,511,372	$ 4,860,950	$ -	$ -
Commercial paper	-	-	2,363,953	1,999,694
Total	$ 13,511,372	$ 4,860,950	$ 2,363,953	$ 1,999,694

The nationally recognized statistical rating organization (NRSRO) utilized is primarily Standard & Poor's Rating Services.

More than 5 percent of the College's investments at June 30, were invested as follows:

	2022	2021
U.S. government agency securities	61.00 %	74.00 %
Commercial paper	31.00	18.00

Note 4 - Fair Value Measurements

The College categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The College’s assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

U.S. government agency securities totaling $16,481,943 and $18,372,322 and commercial paper totaling $10,340,946 and $4,363,647 for June 30, 2022 and 2021, respectively, are valued on a recurring basis using quoted market prices (Level 1 inputs). Money market accounts totaling $359,582 and $2,182,010 for June 30, 2022 and 2021, respectively, are valued at amortized cost and are not subject to fair value measurements.

Note 4 - Fair Value Measurements (Continued)

The following tables present information about the Foundation's assets measured at fair value on a recurring basis at June 30, 2022 and 2021:

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2022			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2022
Assets				
Mutual funds:				
Domestic equity	$ 30,746,271	$ -	$ -	$ 30,746,271
Fixed income	3,457,145	-	-	3,457,145
Total mutual funds	34,203,416	-	-	34,203,416
Fixed income:				
U.S. Treasury securities	922,836	-	-	922,836
Corporate bonds	-	6,338,769	-	6,338,769
Total fixed income	922,836	6,338,769	-	7,261,605
Total	$ 35,126,252	$ 6,338,769	$ -	41,465,021
Investments measured at NAV:				
Private equity				3,718,951
Real estate				967,195
Multistrategy				1,024,724
Total investments measured at NAV				5,710,870
Total assets				$ 47,175,891

Note 4 - Fair Value Measurements (Continued)

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2021			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2021
Assets				
Mutual funds:				
Domestic equity	$ 36,842,352	$ -	$ -	$ 36,842,352
International equity	3,881,522	-	-	3,881,522
Alternative strategies	188,340	-	-	188,340
Total mutual funds	40,912,214	-	-	40,912,214
Fixed income:				
U.S. Treasury securities	3,792,717	-	-	3,792,717
Corporate bonds	-	3,486,082	-	3,486,082
Total fixed income	3,792,717	3,486,082	-	7,278,799
Total	$ 44,704,931	$ 3,486,082	$ -	48,191,013
Investments measured at NAV:				
Private equity				2,569,851
Real estate				771,468
Multistrategy				1,057,247
Total investments measured at NAV				4,398,566
Total assets				$ 52,589,579

Note 5 - Accounts Receivable

The following is the detail of accounts receivable:

	2022	2021
Student	$ 2,480,135	$ 2,267,802
Grants and contracts	744,134	2,302,308
State appropriations	2,315,583	2,264,013
Foundation	3,142,597	2,738,929
Third-party and other	585,216	492,366
Gross accounts receivable	9,267,665	10,065,418
Allowance for doubtful accounts	(551,130)	(694,361)
Total accounts receivable - Net	$ 8,716,535	$ 9,371,057

Note 6 - Capital Assets

Capital asset activity for the years ended June 30, 2022 and 2021 was as follows:

	Balance July 1, 2021	Additions	Disposals	Transfers	Balance June 30, 2022
Capital assets not being depreciated:					
Land	$ 4,626,042	$ -	$ -	$ -	$ 4,626,042
Construction in progress	876,146	4,420	-	(851,760)	28,806
Art collection	1,704,379	144,387	-	-	1,848,766
Subtotal	7,206,567	148,807	-	(851,760)	6,503,614
Capital assets being depreciated:					
Infrastructure	7,894,779	28,825	-	-	7,923,604
Buildings and improvements	118,419,647	824,132	-	851,760	120,095,539
Docks	2,359,401	-	-	-	2,359,401
Furniture, fixtures, and equipment	29,224,362	1,150,018	-	-	30,374,380
Land improvements	5,739,582	42,394	-	-	5,781,976
Subtotal	163,637,771	2,045,369	-	851,760	166,534,900
Accumulated depreciation:					
Infrastructure	7,138,629	136,823	-	-	7,275,452
Buildings and improvements	51,169,146	3,160,375	-	-	54,329,521
Docks	1,961,614	61,678	-	-	2,023,292
Furniture, fixtures, and equipment	24,335,208	1,566,593	-	-	25,901,801
Land improvements	5,205,290	85,421	-	-	5,290,711
Subtotal	89,809,887	5,010,890	-	-	94,820,777
Net capital assets being depreciated	73,827,884	(2,965,521)	-	851,760	71,714,123
Capital assets - Net	$ 81,034,451	$ (2,816,714)	$ -	$ -	$ 78,217,737

Note 6 - Capital Assets (Continued)

	Balance July 1, 2020	Additions	Disposals	Transfers	Balance June 30, 2021
Capital assets not being depreciated:					
Land	$ 4,626,042	$ -	$ -	$ -	$ 4,626,042
Construction in progress	20,194,920	1,400,823	-	(20,719,597)	876,146
Art collection	1,648,881	55,498	-	-	1,704,379
Subtotal	26,469,843	1,456,321	-	(20,719,597)	7,206,567
Capital assets being depreciated:					
Infrastructure	7,845,246	37,485	-	12,048	7,894,779
Buildings and improvements	98,728,526	111,802	(117,144)	19,696,463	118,419,647
Docks	2,359,401	-	-	-	2,359,401
Furniture, fixtures, and equipment	27,370,122	1,045,608	(202,454)	1,011,086	29,224,362
Land improvements	5,748,392	-	(8,810)	-	5,739,582
Subtotal	142,051,687	1,194,895	(328,408)	20,719,597	163,637,771
Accumulated depreciation:					
Infrastructure	6,981,053	157,576	-	-	7,138,629
Buildings and improvements	48,312,118	2,857,028	-	-	51,169,146
Docks	1,896,613	65,001	-	-	1,961,614
Furniture, fixtures, and equipment	23,059,968	1,513,503	(238,263)	-	24,335,208
Land improvements	5,126,836	78,454	-	-	5,205,290
Subtotal	85,376,588	4,671,562	(238,263)	-	89,809,887
Net capital assets being depreciated	56,675,099	(3,476,667)	(90,145)	20,719,597	73,827,884
Capital assets - Net	$ 83,144,942	$ (2,020,346)	$ (90,145)	$ -	$ 81,034,451

Note 7 - Long-term Obligations

Long-term debt activity for the years ended June 30, 2022 and 2021 can be summarized as follows:

	2022				
	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds payable:					
2012 Community College Refunding Bonds	$ 180,000	$ -	$ (180,000)	$ -	$ -
2016 Community College Facilities Bonds	18,225,000	-	(810,000)	17,415,000	840,000
2018 Community College Facilities Bonds	6,500,000	-	(285,000)	6,215,000	295,000
Total principal outstanding	24,905,000	-	(1,275,000)	23,630,000	1,135,000
Unamortized bond premiums	509,000	-	(30,874)	478,126	30,874
Total bonds payable	25,414,000	-	(1,305,874)	24,108,126	1,165,874
Accrued vacation and sick leave	1,632,361	1,230,171	(1,292,312)	1,570,220	1,266,000
Voluntary separation plan	114,400	-	(62,400)	52,000	31,200
Total long-term obligations	$ 27,160,761	$ 1,230,171	$ (2,660,586)	$ 25,730,346	$ 2,463,074

	2021				
	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds payable:					
2012 Community College Refunding Bonds	$ 355,000	$ -	$ (175,000)	$ 180,000	$ 180,000
2016 Community College Facilities Bonds	19,005,000	-	(780,000)	18,225,000	810,000
2018 Community College Facilities Bonds	6,775,000	-	(275,000)	6,500,000	285,000
Total direct borrowings and direct placements principal outstanding	26,135,000	-	(1,230,000)	24,905,000	1,275,000
Unamortized bond discounts	539,874	-	(30,874)	509,000	30,874
Total bonds payable	26,674,874	-	(1,260,874)	25,414,000	1,305,874
Accrued vacation and sick leave	1,439,228	1,216,223	(1,023,090)	1,632,361	1,314,000
Voluntary separation plan	197,748	-	(83,348)	114,400	62,400
Total long-term debt	$ 28,311,850	$ 1,216,223	$ (2,367,312)	$ 27,160,761	$ 2,682,274

Note 7 - Long-term Obligations (Continued)

Community College Refunding Bonds, 2012

The College issued $1,620,000 in General Obligation - Limited Tax Refunding Bonds with an interest rate of 2.05 percent to refund $1.635 million of outstanding 2002 Series Bonds with an interest rate of 4.625 to 5.15 percent, maturing in 2022. The 2012 bonds are payable from operating revenue of the College in installments ranging from $165,000 to $180,000, are callable at a premium, and mature at varying amounts through 2022. As of June 30, 2022 and 2021, the 2012 Series Bonds are considered defeased, and the liability has been removed from the statement of net position. At June 30, 2022 and 2021, no amounts remain in escrow, and the defeased bonds have been paid in full. The bonds were paid off during the fiscal year ended June 30, 2022.

Community College Facilities Bonds, 2016

The College issued $20,890,000 in Limited Tax General Obligation Bonds with an interest rate of 2.78 percent. The 2016 bonds are payable from operating revenue of the College in installments ranging from $405,000 to $1,405,000 and mature at varying amounts through 2038. The net proceeds of $20,788,154 (after payment of $101,846 in underwriting fees and other issuance cost) are being used to construct residence housing, renovations to the museum, a new library, and various other campus infrastructure projects.

Community College Facilities Bonds, 2018

The College issued $7,300,000 in Limited Tax General Obligation Bonds with an interest rate of 3.25 percent to 3.50 percent. The 2018 bonds are payable from operating revenue of the College in installments ranging from $260,000 to $495,000 and mature at varying amounts through 2038. The net proceeds of $7,130,750 (after payment of $169,250 in underwriting fees and other issuance cost) were used to finance the West Hall Innovation Center renovation.

Accrued Vacation and Sick Leave

The College provides vacation benefits to employees, as defined by each respective labor contract and administrative policy. The liability has been recorded based on the number of days available for each employee. Additionally, the College accrues unused sick days for those union employees who have met the conditions of the plan at year end.

Voluntary Separation Plan

During 2018, the College offered a voluntary separation plan to certain employees. The liability and expense was recognized when the employee accepts the offer and the amounts can be estimated.

Debt Service Requirements to Maturity

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

Years Ending June 30	Principal	Interest	Total
2023	$ 1,135,000	$ 730,213	$ 1,865,213
2024	1,175,000	695,425	1,870,425
2025	1,215,000	659,413	1,874,413
2026	1,265,000	622,175	1,887,175
2027	1,310,000	583,400	1,893,400
2028-2032	7,315,000	2,284,013	9,599,013
2033-2037	8,780,000	1,069,050	9,849,050
2038	1,435,000	45,525	1,480,525
Total	$ 23,630,000	$ 6,689,214	$ 30,319,214

Note 8 - Retirement Plans

Plan Description

The College participates in the Michigan Public School Employees' Retirement System (the "System"), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the College. Certain college employees also receive defined contribution retirement and health care benefits through the System. The System provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The System also provides postemployment health care benefits to retirees and beneficiaries who elect to receive those benefits.

The System, and all assumptions therein, is administered by the Office of Retirement Services (ORS). The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplemental information for the pension and postemployment health care plans. That report is available on the web at http://www.michigan.gov/orsschools.

Benefits Provided

Benefit provisions of the defined benefit (DB) pension plan and the postemployment health care 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 pension plan and the postemployment health care plan.

Depending on the plan option selected, member retirement benefits are calculated as final average compensation times years of services times a pension factor ranging from 1.25 percent to 1.50 percent. The requirements to retire range from attaining the age of 46 to 60 with years of service ranging from 5 to 30 years, depending on when the employee became a member. Early retirement is computed in the same manner as a regular pension but is permanently reduced to 0.50 percent for each full and partial month between the pension effective date and the date the member will attain age 60. There is no mandatory retirement age.

Depending on the member’s date of hire, MPSERS offers the option of participating in the defined contribution (DC) plan that provides a 50 percent employer match (up to 3 percent of salary) on employee contributions.

Members are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. The disability benefits plus authorized outside earnings are limited to 100 percent of the participant's final average compensation, with an increase of 2 percent each year thereafter.

Benefits may transfer to a beneficiary upon death and are determined in the same manner as retirement benefits but with an actuarial reduction.

Benefit terms provide for annual cost of living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment, if applicable, is 3 percent. Some members who do not receive an annual increase are eligible to receive a supplemental payment in those years in which investment earnings exceed actuarial assumptions.

MPSERS provides medical, prescription drug, dental, and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by MPSERS, with the balance deducted from the monthly pension of each retiree health care recipient. Depending on the member’s date of hire, this subsidized portion ranges from 80 percent to the maximum allowed by the statute.

Note 8 - Retirement Plans (Continued)

Contributions

Public Act 300 of 1980, as amended, required the College to contribute amounts necessary to finance the coverage of pension benefits of active and retired members. Contribution provisions are specified by state statute and may be amended only by action of the state Legislature. Under these provisions, each school district's contribution is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance a portion of the unfunded accrued liability.

Under the OPEB plan, retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent, or 20 percent for those not Medicare eligible, of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits. Participating employers are required to contribute at that rate.

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

The College's contributions are determined based on employee elections. There are multiple pension and health care benefit options included in the plan available to employees based on date of hire and the elections available at that time. Contribution rates are adjusted annually by the ORS.

The ranges of rates are as follows:

	Pension	OPEB
October 1, 2019 - September 30, 2020	13.39% - 19.41%	7.57% - 8.09%
October 1, 2020 - September 30, 2021	13.39% - 19.78%	7.57% - 8.43%
October 1, 2021 - September 30, 2022	13.73% - 20.14%	7.23% - 8.09%

Depending on the plan selected, member pension contributions range from 0 percent up to 7.0 percent of gross wages. For certain plan members, a 4 percent employer contribution to the defined contribution pension plan is required. In addition, for certain plan members, a 3 percent employer match is provided to the defined contribution pension plan.

The College's required and actual pension contributions to the plan for the years ended June 30, 2022 and 2021 were $5,275,923 and $5,001,913, respectively, which include the College's contributions required for those members with a defined contribution benefit. The College's required and actual pension contributions include an allocation of $2,373,453 and $2,215,137 in revenue received from the State of Michigan and remitted to the System to fund the MPSERS unfunded actuarial accrued liability (UAAL) stabilization rate for the years ended June 30, 2022 and 2021, respectively.

The College's required and actual OPEB contributions to the plan for the years ended June 30, 2022 and 2021 were $1,303,094 and $1,282,734, respectively, which include the College's contributions required for those members with a defined contribution benefit.

Note 8 - Retirement Plans (Continued)

Net Pension Liability

At June 30, 2022 and 2021, the College reported a liability of $38,026,148 and $56,797,390, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2021 and 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2020 and 2019, which used update procedures to roll forward the estimated liability to September 30, 2021 and 2020. The College's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2021, 2020, and 2019, the College's proportion was 0.160615 percent, 0.165344 percent, and 0.174810 percent, respectively, representing a change of (2.858044) and (5.417310) percent, respectively.

Net OPEB Liability

At June 30, 2022 and 2021, the College reported a liability of $2,390,998 and $8,622,821, respectively, for its proportionate share of the 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 an actuarial valuation as of September 30, 2020 and 2019, which used update procedures to roll forward the estimated liability to September 30, 2021 and 2020. The College’s proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2021, 2020, and 2019, the College’s proportion was 0.156645 percent, 0.160956 percent, and 0.171189 percent, respectively, representing a change of (2.677975) and (5.978392) percent, respectively.

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

For the years ended June 30, 2022 and 2021, the College recognized pension expense of $2,640,876 and $7,192,027, respectively, inclusive of payments to fund the MPSERS UAAL stabilization rate. At June 30, 2022 and 2021, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2022		2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 589,041	$ (223,929)	$ 867,818	$ (121,226)
Changes in assumptions	2,397,032	-	6,293,698	-
Net difference between projected and actual earnings on pension plan investments	-	(12,225,284)	238,637	-
Changes in proportion and differences between the College's contributions and proportionate share of contributions	-	(3,270,695)	-	(3,420,670)
The College's contributions to the plan subsequent to the measurement date	4,406,386	-	4,175,573	-
Total	$ 7,392,459	$ (15,719,908)	$ 11,575,726	$ (3,541,896)

Note 8 - Retirement Plans (Continued)

The $2,373,453 and $2,215,137 reported as deferred inflows of resources resulting from the pension portion of state aid payments received pursuant to the UAAL payment will be recognized as state appropriations revenue for the years ended June 30, 2022 and 2021, respectively. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending	Amount
2023	$ (2,474,287)
2024	(3,237,766)
2025	(3,576,676)
2026	(3,445,106)
Total	$ (12,733,835)

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the next year.

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

For the years ended June 30, 2022 and 2021, the College recognized OPEB recovery of $1,776,582 and $627,189, respectively.

At June 30, 2022 and 2021, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2022		2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ (6,824,934)	$ -	$ (6,424,807)
Changes in assumptions	1,998,756	(299,089)	2,843,115	-
Net difference between projected and actual earnings on OPEB plan investments	-	(1,802,138)	71,967	-
Changes in proportionate share or difference between amount contributed and proportionate share of contributions	15,259	(1,383,948)	10,777	(1,503,978)
Employer contributions to the plan subsequent to the measurement date	874,015	-	880,324	-
Total	$ 2,888,030	$ (10,310,109)	$ 3,806,183	$ (7,928,785)

Note 8 - Retirement Plans (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (note that employer contributions subsequent to the measurement date will reduce the net OPEB liability and, therefore, will not be included in future pension expense):

Years Ending	Amount
2023	$ (2,242,610)
2024	(2,043,759)
2025	(1,798,043)
2026	(1,601,494)
2027	(539,417)
Thereafter	(70,771)
Total	$ (8,296,094)

Actuarial Assumptions

The total pension and OPEB liabilities as of September 30, 2021 and 2020 are based on the results of an actuarial valuation as of September 30, 2020 and 2019, respectively, and rolled forward. The total liabilities were determined using the following actuarial assumptions:

	2022	2021	
Actuarial cost method			Entry age normal
Investment rate of return - Pension	6.00% - 6.80%	6.00% - 6.80%	Net of investment expenses based on the groups
Investment rate of return - OPEB	6.95%	6.95%	Net of investment expenses based on the groups
Salary increases	2.75% - 11.55%	2.75% - 11.55%	Including wage inflation of 2.25%
Health care cost trend rate - OPEB	5.25 - 7.75% (Year 1 graded to 3.5% in year 15, 3.0% in year 12)	7.00% (Year 1 graded to 3.5% in year 12)	
Mortality basis	RP-2014 Male and Female Employee Annuitant Mortality tables, scaled 100% (retirees: 82% for males and 78% for females) and adjusted for mortality improvements using projection scale MP-2017 from 2006	RP-2014 Male and Female Employee Annuitant Mortality tables, scaled 100% (retirees: 82% for males and 78% for females) and adjusted for mortality improvements using projection scale MP-2017 from 2006	
Cost of living pension adjustments	3.00%	3.00%	Annual noncompounded for MIP members

Assumption changes as a result of an experience study for the periods from 2012 to 2017 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2018 valuation.

Significant assumption changes since the prior measurement date, September 30, 2020, for the OPEB plan include an increase in the health care cost trend rate of 0.75 percentage points for members under 65 and reduction from 7.0 percent to 5.25 percent for members over 65. There were no significant changes in assumptions for the pension or OPEB plans since the prior measurement date of September 30, 2020.

Significant assumption changes since the measurement date, September 30, 2021, for both the pension and OPEB plan include a reduction of both plans' discount rates to 6.0 percent. The change increases the total plans net pension liability by approximately $8.1 billion and the total plan's net OPEB liability by approximately $1.1 billion.

Note 8 - Retirement Plans (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.00 to 6.80 percent as of September 30, 2021 and 2020, depending on the plan option. The discount rate used to measure the total OPEB liability was 6.95 percent as of September 30, 2021 and 2020. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that district contributions will be made at statutorily required rates.

Based on those assumptions, the pension plan's fiduciary net position and the OPEB plan's fiduciary net position were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension liability and total OPEB liability.

The long-term expected rate of return on pension plan and 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 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

	2022		2021	
Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity pools	25.00 %	5.40 %	25.00 %	5.60 %
Private equity pools	16.00	9.10	16.00	9.30
International equity pools	15.00	7.50	15.00	7.40
Fixed-income pools	10.50	(0.70)	10.50	0.50
Real estate and infrastructure pools	10.00	5.40	10.00	4.90
Absolute return pools	9.00	2.60	9.00	3.20
Real return/Opportunistic pools	12.50	6.10	12.50	6.60
Short-term investment pools	2.00	(1.30)	2.00	(0.10)
Total	100.00 %		100.00 %	

Long-term rates of return are net of administrative expense and inflation of 2.0 percent.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the College, calculated using the discount rate depending on the plan option. The following also reflects what the College's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	2022		
	1 Percentage Point Decrease (5.00 - 5.80%)	Current Discount Rate (6.00 - 6.80%)	1 Percentage Point Increase (7.00 - 7.80%)
Net pension liability of the College	$ 54,367,079	$ 38,026,148	$ 24,478,444

Note 8 - Retirement Plans (Continued)

	2021		
	1 Percentage Point Decrease (5.00 - 5.80%)	Current Discount Rate (6.00 - 6.80%)	1 Percentage Point Increase (7.00 - 7.80%)
Net pension liability of the College	$ 73,514,587	$ 56,797,390	$ 42,942,561

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the College, calculated using the current discount rate. It also reflects what the College's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	2022		
	1 Percentage Point Decrease (5.95%)	Current Discount Rate (6.95%)	1 Percentage Point Increase (7.95%)
Net OPEB liability of the College	$ 4,442,906	$ 2,390,998	$ 649,661

	2021		
	1 Percentage Point Decrease (5.95%)	Current Discount Rate (6.95%)	1 Percentage Point Increase (7.95%)
Net OPEB liability of the College	$ 11,076,993	$ 8,622,821	$ 6,556,613

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate

The following presents the net OPEB liability of the College, calculated using the current health care cost trend rate. It also reflects what the College's net OPEB liability would be if it were calculated using a health care cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	2022		
	1 Percentage Point Decrease	Current Rate	1 Percentage Point Increase
Net OPEB liability of the College	$ 581,950	$ 2,390,998	$ 4,426,395

	2021		
	1 Percentage Point Decrease	Current Rate	1 Percentage Point Increase
Net OPEB liability of the College	$ 6,477,502	$ 8,622,821	$ 11,062,856

Pension Plan and OPEB Plan Fiduciary Net Position

Detailed information about the plan’s fiduciary net position is available in the separately issued MPSERS financial report.

Payable to the Pension Plan and OPEB Plan

At June 30, 2022, the College reported a payable of $638,559 and $89,005 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2022.

At June 30, 2021, the College reported a payable of $579,391 and $79,317 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2021.

Note 9 - Unrestricted Net Deficit

The College, through application of the board-approved resources guidelines, reserved the use of unrestricted net deficit as follows at June 30:

	2022	2021
Reserved for General Operating Fund	$ 11,697,703	$ 12,188,309
Reserved for maintenance and replacement after bond commitments	5,749,504	5,398,088
Reserved for auxiliary expenses	9,723,088	9,567,395
Reserved for GLMA equipment and vessel	512,401	512,401
Reserved for HEERF	-	(3,432,817)
Reserved for transformation	1,586,740	1,704,584
Reserved for strategic projects	1,203,865	1,256,884
Reserved for wellness initiatives	364,114	364,114
Total reserves before pension and OPEB liabilities	30,837,418	27,558,958
Reserved for OPEB liability fund deficit	(9,813,077)	(12,745,423)
Reserved for pension liability fund deficit	(48,727,050)	(50,978,697)
Total	$ (27,702,712)	$ (36,165,162)

Note 10 - Risk Management

The College is exposed to various risks of loss related to property loss, torts, errors, omissions, employee injuries (workers' compensation), and medical benefits provided to employees. The College participates in risk management pools for claims relating to auto, property, workers' compensation, errors, omissions, and liability.

Risk-sharing Programs

The College participates in the Michigan Community College Risk Management Authority (MCCRMA) risk management pool for auto, property, and liability claims and in the SET-SEG risk management pool for workers' compensation claims, errors, and omissions coverage. Both programs operate as claims servicing pools for amounts up to member retention limits and operate as common risk-sharing management programs for losses in excess of member retention amounts. Although premiums are paid annually to the pools, which the pools use to pay claims up to the retention limits, the ultimate liability for those claims remains with the College.

Self-insurance

The College is self-insured for unemployment compensation and health benefits. The College estimates the liability for self-insured claims that have been incurred through the end of the fiscal year, including both those claims that have been reported and those that have not yet been reported. The estimated liabilities for unemployment compensation for the fiscal years ended June 30, 2022 and 2021 were insignificant. Changes in the estimated liability for the fiscal years ended June 30, 2022 and 2021 for health benefits were as follows:

	Medical Claims		
	2022	2021	2020
Unpaid claims - Beginning of year	$ 240,813	$ 332,800	$ 139,304
Incurred claims, including claims incurred but not reported	3,032,430	3,209,461	3,109,973
Claim payments	(3,143,757)	(3,301,448)	(2,916,477)
Unpaid claims - End of year	$ 129,486	$ 240,813	$ 332,800

Note 11 - Contingent Liabilities

The College is subject to various legal proceedings and claims that arise in the ordinary course of its activities. The College believes that the amount, if any, of ultimate liability with respect to legal actions will be insignificant or will be covered by insurance.

Note 12 - Dennos Museum Center

Dennos Museum Center operates as an auxiliary function of the College. Revenue and expenses for Dennos Museum Center for the years ended June 30 were as follows:

	2022	2021
Revenue		
Sales and services	$ 419,245	$ 190,295
Federal grants and contracts	-	5,298
State grants and contracts	16,550	22,200
Support from component unit	907,320	453,208
Other sources	20,497	11,043
Total revenue	1,363,612	682,044
Operating and Capital Expenses		
Public service	855,258	721,971
Operations and maintenance of plant	109,779	91,156
Total operating and capital expenses	965,037	813,127
Change in Net Position before Transfers	398,575	(131,083)
Transfers (Out) In	(133,429)	328,206
Change in Net Position	265,146	197,123
Net Position (Deficit) - Beginning of year	(66,983)	(264,106)
Net Position (Deficit) - End of year	$ 198,163	$ (66,983)

Note 13 - Northwestern Michigan College Foundation

Contributions Receivable

Foundation contributions receivable consist of several unconditional promises to give generated from a capital campaign. They include the following:

	2022	2021
Gross promises to give before unamortized discount	$ 3,302,100	$ 3,764,252
Less allowance for uncollectible contributions	(25,000)	(25,000)
Less allowance for net present value discount	(204,460)	(221,880)
Total	$ 3,072,640	$ 3,517,372

Amounts due in less than one year and amounts due between one and five years total $820,767 and $2,251,873, respectively.

Note 13 - Northwestern Michigan College Foundation (Continued)

Investments

Investments at the Foundation are as follows:

	2022	2021
Mutual funds	$ 34,203,416	$ 40,912,214
U.S. Treasury securities	922,836	3,792,717
Corporate bonds	6,338,769	3,486,082
Alternative investments	5,710,870	4,398,566
Total	$ 47,175,891	$ 52,589,579

Net realized gains from security transactions for the Foundation for the years ended June 30, 2022 and 2021 were $150,883 and $1,747,505, respectively. Net unrealized gains (losses) from security transactions for the Foundation for the years ended June 30, 2022 and 2021 were $(6,888,261) and $9,245,260, respectively. The mutual funds and U.S. Treasury securities are valued using Level 1 inputs, while the corporate bonds are valued using Level 2 inputs.

Net Assets

Net assets without donor restrictions consist of the following as of June 30:

	2022	2021
Quasi endowment	$ 1,483,484	$ 1,503,480
Undesignated net assets	2,834,646	3,968,153
Total	$ 4,318,130	$ 5,471,633

Net assets with donor restrictions as of June 30 are available for the following purposes:

	2022	2021
Subject to expenditure for a specified purpose or the passage of time:		
University Center	$ 1,815,969	$ 2,117,453
Programs and scholarships	24,498,414	28,877,869
Dennos Museum Center	6,351,864	8,264,830
Great Lakes Campus	-	1,035
Not subject to appropriation or expenditure:		
Endowment - Programs and scholarships	13,271,877	12,173,825
Endowment - Dennos Museum Center	4,254,062	4,236,123
Total	$ 50,192,186	$ 55,671,135

Required Supplemental Information

Required Supplemental Information
Schedule of the College's Proportionate Share of the Net Pension Liability
Michigan Public School Employees' Retirement System

Last Eight Plan Years

Plan Years Ended September 30

	2021	2020	2019	2018	2017	2016	2015	2014
College's proportion of the net pension liability	0.16061 %	0.16534 %	0.17481 %	0.18127 %	0.18535 %	0.18849 %	0.18036 %	0.17962 %
College's proportionate share of the net pension liability	$ 38,026,148	$ 56,797,390	$ 57,892,016	$ 54,492,788	$ 48,031,699	$ 47,027,079	$ 44,052,461	$ 39,564,005
College's covered payroll	$ 14,371,428	$ 14,416,413	$ 15,079,019	$ 15,354,013	$ 15,460,385	$ 16,077,647	$ 15,446,667	$ 15,420,406
College's proportionate share of the net pension liability as a percentage of its covered payroll	264.60 %	393.98 %	383.92 %	354.91 %	310.68 %	292.50 %	285.19 %	256.57 %
Plan fiduciary net position as a percentage of total pension liability	72.32 %	59.49 %	60.08 %	62.12 %	63.96 %	63.01 %	63.17 %	66.20 %

Note: GASB Statement No. 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Benefit changes - There were no changes of benefit terms for the plan years ended September 30.

Changes in assumptions - There were no significant changes of assumptions for each of the reported plan years ended September 30 except for the following:

2019 - The discount rate used in the September 30, 2018 actuarial valuation decreased by 0.25 percentage points.

2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.45 percentage points. The valuation also includes the impact of an updated experience study for the periods from 2012 to 2017.

2017 - The discount rate used in the September 30, 2016 actuarial valuation decreased by 0.50 percentage points.

Required Supplemental Information
Schedule of Pension Contributions
Michigan Public School Employees' Retirement System

Last Eight Fiscal Years

Years Ended June 30

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	$ 5,070,861	$ 4,818,835	$ 4,571,582	$ 4,688,968	$ 4,683,462	$ 4,397,619	$ 4,112,085	$ 4,726,013
Contributions in relation to the contractually required contribution	5,070,861	4,818,835	4,571,582	4,688,968	4,683,462	4,397,619	4,112,085	4,726,013
Contribution Deficiency	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
College's Covered Payroll	$ 14,879,380	$ 14,250,782	$ 14,429,193	$ 15,279,724	$ 15,376,191	$ 15,454,034	$ 15,593,732	$ 15,479,214
Contributions as a Percentage of Covered Payroll	34.08 %	33.81 %	31.68 %	30.69 %	30.46 %	28.46 %	26.37 %	30.53 %

Note: GASB Statement No. 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Required Supplemental Information
Schedule of the College's Proportionate Share of the Net OPEB Liability
Michigan Public School Employees' Retirement System

Last Five Plan Years

Plan Years Ended September 30

	2021	2020	2019	2018	2017
College's proportion of the net OPEB liability	0.15665 %	0.16096 %	0.17119 %	0.17928 %	0.18655 %
College's proportionate share of the net OPEB liability	$ 2,390,998	$ 8,622,821	$ 12,287,488	$ 14,250,585	$ 16,520,072
College's covered payroll	$ 14,371,428	$ 14,416,413	$ 15,079,019	$ 15,354,013	$ 15,460,385
College's proportionate share of the net OPEB liability as a percentage of its covered payroll	16.64 %	59.81 %	81.49 %	92.81 %	106.85 %
Plan fiduciary net position as a percentage of total OPEB liability	88.87 %	59.76 %	48.67 %	43.10 %	36.53 %

Note: GASB 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented. There were no changes of benefit terms for the plan years ended September 30.

Changes in assumptions - There were no significant changes of assumptions for each of the reported plan years ended September 30 except for the following:

2021 - The health care cost trend rate used in the September 30, 2020 actuarial valuation increased by 0.75 percentage points for members under 65 and decreased by 1.75 percentage points for members over 65. In addition, actual per person health benefit costs were lower than projected. This reduced the plan's total OPEB liability by $1.3 billion in 2021.

2020 - The health care cost trend rate used in the September 30, 2019 actuarial valuation decreased by 0.50 percentage points, and actual per person health benefit costs were lower than projected. This reduced the plan's total OPEB liability by $1.8 billion in 2020.

2019 - The discount rate used in the September 30, 2018 actuarial valuation decreased by 0.20 percentage points. The valuation also includes the impact of an updated experience study for the periods from 2012 to 2017. This resulted in lower than projected per person health benefit costs to reduce the plan's total OPEB liability by an additional $1.4 billion in 2019.

2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.35 percentage points. The valuation also includes the impact of an updated experience study for the periods from 2012 to 2017. This resulted in lower than projected per person health benefit costs to reduce the plan's total OPEB liability by $1.4 billion in 2018.

Required Supplemental Information
Schedule of the College's OPEB Contributions
Michigan Public School Employees' Retirement System

Last Five Fiscal Years

Years Ended June 30

	2022	2021	2020	2019	2018
Statutorily required contribution	$ 1,178,001	$ 1,164,378	$ 1,148,856	$ 1,192,398	$ 1,109,834
Contributions in relation to the statutorily required contribution	1,178,001	1,164,378	1,148,856	1,192,398	1,109,834
Contribution Deficiency	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
College's Covered Payroll	$ 14,879,380	$ 14,250,782	$ 14,429,193	$ 15,279,724	$ 15,376,191
Contributions as a Percentage of Covered Payroll	7.92 %	8.17 %	7.96 %	7.80 %	7.22 %

GASB Statement No. 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be present.

Other Supplemental Information

Other Supplemental Information
Combining Statement of Net Position

June 30, 2022

(with comparative totals for 2021)

	Current Funds									
	General Fund	Board-designated Fund	Auxiliary Fund	Pension and OPEB Liability Fund	Restricted Fund	Plant Fund	Loan Fund	Agency Fund	2022	2021
Assets										
Current assets:										
Cash and cash equivalents	$ 12,874,223	$ -	$ 4,650	$ -	$ 200	$ 1,028,295	$ -	$ -	$ 13,907,368	$ 11,660,987
Receivables - Net	7,160,044	174,008	150,847	-	691,292	-	537,309	3,035	8,716,535	9,371,057
Prepaid expenses and other assets	895,653	-	404,197	-	-	458,958	-	-	1,758,808	1,564,992
Due (to) from other funds	(22,247,884)	4,713,527	9,551,119	-	1,785,044	4,427,779	(537,309)	2,307,724	-	-
Total current assets	(1,317,964)	4,887,535	10,110,813	-	2,476,536	5,915,032	-	2,310,759	24,382,711	22,597,036
Noncurrent assets:										
Restricted cash and cash equivalents	-	-	-	-	-	2,188,628	-	-	2,188,628	2,187,806
Investments	16,481,943	-	-	-	-	-	-	-	16,481,943	18,372,322
Capital assets - Net	-	-	-	-	-	78,217,737	-	-	78,217,737	81,034,451
Total noncurrent assets	16,481,943	-	-	-	-	80,406,365	-	-	96,888,308	101,594,579
Total assets	15,163,979	4,887,535	10,110,813	-	2,476,536	86,321,397	-	2,310,759	121,271,019	124,191,615
Deferred Outflows of Resources	-	-	-	10,280,489	-	-	-	-	10,280,489	15,381,909
Liabilities										
Current liabilities:										
Accounts payable	805,057	10,532	38,852	-	27,239	45,142	-	26,358	953,180	1,438,040
Accrued liabilities and other:										
Accrued wages and benefits	1,090,281	-	-	-	-	-	-	1,806,431	2,896,712	2,621,524
Accrued interest payable	-	-	-	-	-	120,386	-	-	120,386	126,832
Unearned revenue	926,684	-	124,305	-	1,117,219	-	-	30	2,168,238	5,812,123
Long-term obligations - Current	1,297,200	-	-	-	-	1,165,874	-	-	2,463,074	2,682,274
Total current liabilities	4,119,222	10,532	163,157	-	1,144,458	1,331,402	-	1,832,819	8,601,590	12,680,793
Noncurrent liabilities:										
Net pension liability	-	-	-	38,026,148	-	-	-	-	38,026,148	56,797,390
Net OPEB liability	-	-	-	2,390,998	-	-	-	-	2,390,998	8,622,821
Long-term obligations - Net of current portion	325,020	-	-	-	-	22,942,252	-	-	23,267,272	24,478,487
Deposits	391,900	-	224,568	-	1,332,078	-	-	477,940	2,426,486	1,665,120
Total noncurrent liabilities	716,920	-	224,568	40,417,146	1,332,078	22,942,252	-	477,940	66,110,904	91,563,818
Total liabilities	4,836,142	10,532	387,725	40,417,146	2,476,536	24,273,654	-	2,310,759	74,712,494	104,244,611
Deferred Inflows of Resources	-	-	-	28,403,470	-	-	-	-	28,403,470	13,685,818
Net Position (Deficit)										
Net investment in capital assets	-	-	-	-	-	56,298,239	-	-	56,298,239	57,808,257
Unrestricted	10,327,837	4,877,003	9,723,088	(58,540,127)	-	5,749,504	-	-	(27,862,695)	(36,165,162)
Total net position (deficit)	**$ 10,327,837**	**$ 4,877,003**	**$ 9,723,088**	**$ (58,540,127)**	**$ -**	**$ 62,047,743**	**$ -**	**$ -**	**$ 28,435,544**	**$ 21,643,095**

Other Supplemental Information
Combining Statement of Revenue, Expenses, and Changes in Net Position

Year Ended June 30, 2022
(with comparative totals for 2021)

	Current Funds								
	General Fund	Board-designated Fund	Auxiliary Fund	Pension and OPEB Liability Fund	Restricted Fund	Plant Fund	Eliminations	2022	2021
Operating Revenue									
Student tuition and fees	$ 20,501,108	$ 177,991	$ 12,678	$ -	$ 15,975	$ -	$ (2,448,579)	$ 18,259,173	$ 17,541,197
Federal grants and contributions	21,100	-	-	-	3,015,904	-	-	3,037,004	1,626,052
State grants and contributions	4,492	-	16,550	-	190,428	-	-	211,470	123,205
Private gifts, grants, and contracts	58,270	-	-	-	45,119	-	-	103,389	73,970
Expended for plant facilities	-	-	-	-	-	3,041,517	(3,041,517)	-	-
Sales and services of auxiliary activities	32,483	-	4,137,574	-	(1,375)	-	-	4,168,682	2,938,226
Other sources	478,604	-	494,425	-	575	-	-	973,604	454,810
Total operating revenue	21,096,057	177,991	4,661,227	-	3,266,626	3,041,517	(5,490,096)	26,753,322	22,757,460
Operating Expenses									
Instruction	18,557,709	11,933	171	(2,491,199)	405,342	171,826	(508,438)	16,147,344	17,518,001
Public service	213,722	-	1,301,647	(154,790)	280,163	128,700	(228,444)	1,540,998	1,507,705
Academic support	7,005,149	4,696	102,125	(867,192)	542,572	31,974	-	6,819,324	7,178,877
Student services	4,706,494	-	3,496,782	(759,759)	10,277,398	35,037	(3,349,989)	14,405,963	11,752,668
Institutional administration	5,994,269	719,927	55,730	(390,267)	80,145	602	-	6,460,406	6,316,285
Operation and maintenance of plant	4,685,836	-	201,143	(436,500)	191,927	904,094	(913,666)	4,632,834	4,940,289
Depreciation	-	-	-	-	-	5,010,890	-	5,010,890	4,671,562
Information technology	3,498,229	-	-	(242,602)	92,617	1,009,769	(489,559)	3,868,454	3,706,320
Total operating expenses	44,661,408	736,556	5,157,598	(5,342,309)	11,870,164	7,292,892	(5,490,096)	58,886,213	57,591,707
Operating (Loss) Income	(23,565,351)	(558,565)	(496,371)	5,342,309	(8,603,538)	(4,251,375)	-	(32,132,891)	(34,834,247)
Nonoperating Revenue (Expense)									
State appropriations	13,258,503	-	-	(158,316)	-	-	-	13,100,187	12,419,660
Federal Pell grants	-	-	-	-	3,609,493	-	-	3,609,493	3,606,784
Federal COVID-19 funding	-	-	-	-	7,526,225	-	-	7,526,225	5,912,440
Property taxes	11,961,680	-	-	-	-	-	-	11,961,680	11,572,372
Support from component unit	1,172,354	102,703	985,384	-	1,675,294	821,903	-	4,757,638	4,337,904
Investment loss	(1,718,603)	-	-	-	-	13,269	-	(1,705,334)	(338,322)
Bond issuance and amortization costs	-	-	-	-	-	28,374	-	28,374	30,374
Interest expense on capital-related debt	-	-	-	-	-	(761,020)	-	(761,020)	(797,171)
Total nonoperating revenue (expense)	24,673,934	102,703	985,384	(158,316)	12,811,012	102,526	-	38,517,243	36,744,041
Capital Contributions	-	-	-	-	-	408,097	-	408,097	(892,909)
Transfers (Out) In	(1,759,172)	285,000	(333,320)	-	(774,658)	2,582,150	-	-	-
Change in Net Position	(650,589)	(170,862)	155,693	5,183,993	3,432,816	(1,158,602)	-	6,792,449	1,016,885
Net Position (Deficit) - Beginning of year	10,978,426	5,047,865	9,567,395	(63,724,120)	(3,432,816)	63,206,345	-	21,643,095	20,626,210
Net Position (Deficit) - End of year	**$ 10,327,837**	**$ 4,877,003**	**$ 9,723,088**	**$ (58,540,127)**	**$ -**	**$ 62,047,743**	**$ -**	**$ 28,435,544**	**$ 21,643,095**