

Bay de Noc
Community
College



Years Ended
June 30, 2023
and 2022

Financial
Statements
and
Supplementary
Information

Rehmann

BAY DE NOC COMMUNITY COLLEGE

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	6
Financial Statements for the Years Ended June 30, 2023 and 2022	20
Statements of Net Position	21
Statements of Revenues, Expenses and Changes in Net Position	22
Statements of Cash Flows	23
Discretely Presented Component Unit - Bay de Noc Community College Foundation:	
Statements of Financial Position	25
Statements of Revenues, Expenses, and Changes in Net Assets	26
Notes to Financial Statements	27
Required Supplementary Information	56
MPSERS Cost-Sharing Multiple Employer Plans:	
Schedule of the College's Proportionate Share of the Net Pension Liability	57
Schedule of the College's Pension Contributions	58
Schedule of the College's Proportionate Share of the Net Other Postemployment Benefits Liability	59
Schedule of the College's Other Postemployment Benefits Contributions	60
Notes to Required Supplementary Information	61
Supplementary Information for the Year Ended June 30, 2023 (Unaudited)	62
Combining Statement of Net Position	63
Combining Statement of Revenues, Expenses, Transfers and Changes in Net Position	64
West Campus - Schedules of Revenues, Expenses and Changes in Net Position	65

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

November 9, 2023

Board of Trustees
Bay de Noc Community College
Escanaba, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and the discretely presented component unit of **Bay de Noc Community College** (the "College"), as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

In our opinion, based on our audits, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the College, as of June 30, 2023 and 2022, and the respective changes in financial position, and, where applicable, cash flows thereof, for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Bay de Noc Community College Foundation. Those statements were audited by other auditors whose report thereon was furnished to us, and our opinions, insofar as they relate to the discretely presented component unit, and are based solely on the report of the other auditors.

Basis for Opinions

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



Implementation of GASB Statement No. 96

As described in Note 1, in fiscal 2023, the College implemented the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective July 1, 2021. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Independent Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued, under separate cover, our report dated November 9, 2023, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

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

BAY DE NOC COMMUNITY COLLEGE

Management's Discussion and Analysis

The discussion and analysis of *Bay de Noc Community College's* (the "College") financial statements provide an overview of the College's financial activities for the years ended June 30, 2023, 2022 and 2021. Management has prepared the financial statements, the related footnote disclosures, required supplementary information (RSI) and supporting information along with the discussion and analysis. Responsibility for the accuracy and completeness of this information rests with the College's management.

Using this Report

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

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

Component Unit

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

Financial Highlights

For the year ended June 30, 2023, the College continued to account for GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68) and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* (GASB 75). These standards require the College to record its proportionate share of the net pension liability of the Michigan Public School Employees Retirement System (MPERS), the defined benefit plan in which the majority of the employees of the College participate and requires employers who provide other postemployment benefits (OPEB) to recognize its proportionate share of the net OPEB liability of the MPERS on their statements of net position. Note 6 to the financial statements includes a number of items related to these standards, and four schedules are included as RSI following the footnotes. Both GASB 68 and GASB 75 have had a significant impact on the liabilities and net position of the College as discussed below.

For the year ended June 30, 2023, the College recorded total operating revenues of \$8.7 million and total operating expenses of \$22.6 million. The difference produced an operating loss of \$13.9 million. Net nonoperating revenues of \$16.1 million offset this loss and resulted in an overall increase in net position of \$2.2 million.

With the \$2.2 million net increase generated in fiscal year 2023, the College's net position increased to a fiscal year-end balance of \$10.8 million.

BAY DE NOC COMMUNITY COLLEGE

Management's Discussion and Analysis

The Statement of Net Position

The statements of net position include all assets deferred outflows, liabilities, deferred inflows and net position of the College and are prepared under the accrual basis of accounting, whereby revenues and assets are recognized when services are provided, and expenses and liabilities are recognized when obligations are incurred regardless of when cash is exchanged. The summarized statements of net position below present the financial position of the College at June 30, 2023, 2022 and 2021.

	Net Position as of June 30		
	2023	2022	2021
Current and other assets	\$ 11,228,615	\$ 10,916,729	\$ 12,718,857
Capital assets, net	32,007,334	32,297,570	31,608,268
Total assets	43,235,949	43,214,299	44,327,125
Deferred outflows of resources	6,183,956	3,120,365	4,933,747
Other liabilities	2,458,624	2,352,334	3,106,582
Long-term liabilities	30,505,967	26,070,200	35,925,529
Total liabilities	32,964,591	28,422,534	39,032,111
Deferred inflows of resources	5,673,554	9,353,043	4,311,645
Net investment in capital assets	20,134,802	19,913,855	19,488,206
Restricted-expendable	1,038,478	662,307	662,307
Unrestricted (deficit)	(10,391,520)	(12,017,075)	(14,233,397)
Total net position	\$ 10,781,760	\$ 8,559,087	\$ 5,917,116

Current and other assets consist of cash and cash equivalents, receivables, prepaids and other assets, and cash restricted for debt payments. Current and other assets totaled \$11.2 million at June 30, 2023 compared to \$10.9 million at June 30, 2022. The \$300,000 increase can be attributed to a \$1.17 million increase in cash, partially offset by a \$705,000 decrease in grants receivable and a \$138,000 decrease in other receivables.

Current and other assets totaled \$10.9 million at June 30, 2022 compared to \$12.7 million at June 30, 2021. The \$1.8 million decrease can be attributed to a \$1.37 million decrease in cash and a \$1.24 million decrease in cash-restricted for capital improvements, partially offset by a \$407,000 increase in grants receivable and a \$297,000 increase in other receivables.

Capital assets, net totaled \$32.0 million at June 30, 2023 and \$32.3 million at June 30, 2022. The decrease of approximately \$300,000 is primarily the result of \$2.11 million in capital purchases offset by \$2.41 million in depreciation expense.

Capital assets, net totaled \$32.3 million at June 30, 2022 and \$31.6 million at June 30, 2021. The increase of approximately \$0.7 million is primarily the result of \$2.95 million in capital purchases offset by \$2.23 million in depreciation expense.

BAY DE NOC COMMUNITY COLLEGE

Management's Discussion and Analysis

Deferred outflows of resources at June 30, 2023 of approximately \$6.2 million was recorded as a result of changes in assumptions to the net pension and OPEB liabilities and College contributions to the MPSERS plan subsequent to the plan's measurement date. This was an increase of approximately \$3.1 million from June 30, 2022 due to changes in assumptions related to the payroll growth assumption.

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

Other liabilities consist of accounts payable, accrued liabilities, and unearned revenue. Current liabilities were approximately \$2.5 million at June 30, 2023 compared to \$2.4 million at June 30, 2022. The \$100,000 increase can be attributed to increase in unearned revenue.

Other liabilities were approximately \$2.4 million at June 30, 2022 compared to \$3.1 million at June 30, 2021. The \$700,000 decrease can be attributed to decreases in accounts payable.

Long-term liabilities consists of debt, accrued employee retirement benefits, and net pension and OPEB liabilities. Long-term liabilities increased from 2022 to 2023 by approximately \$4.4 million due to an increase in net pension and OPEB liabilities of \$5.5 million as a result of changes in assumptions used by the actuary offset by a \$1.1 million decrease in long-term debt as a result of annual debt payments.

Long-term liabilities decreased from 2021 to 2022 by approximately \$9.9 million due to a decrease in net pension and OPEB liabilities of \$8.5 million as a result of changes in assumptions used by the actuary, a \$1.1 million decrease in long-term debt as a result of annual debt payments, and a \$275,000 decrease in accrued employee retirement benefits as a result of annual payments.

Deferred inflows of resources at June 30, 2023 of approximately \$5.7 million were recorded as a result of changes in proportion and differences between employer contributions and proportionate share of contributions, differences between expected and actual experience, and the pension portion of State appropriation payments received pursuant to Sec. 147c of the State School Aid act (PA 94 of 1979). This is a decrease of approximately \$3.7 million from June 30, 2022 due mostly to the increases in deferred inflows related to differences between expected and actual experience related to the OPEB plan.

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

Net position increased from 2022 to 2023 by approximately \$2.2 million. All funds other than the Pension and OPEB Liability Fund collectively increased \$1.0 million which includes \$946,000 in recognized HEERF assistance while GASB 68 and GASB 75 adjustments in the Pension and OPEB Liability Fund increased net position by \$1.2 million.

Net position increased from 2021 to 2022 by approximately \$2.6 million. All funds other than the Pension and OPEB Liability Fund collectively increased \$1.0 million which includes \$1.0 million increase in recognized HEERF assistance while GASB 68 and GASB 75 adjustments in the Pension and OPEB Liability Fund increased net position by \$1.6 million.

BAY DE NOC COMMUNITY COLLEGE

Management's Discussion and Analysis

Statement of Revenue, Expenses, and Changes in Net Position

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

	Statements of Revenues, Expenses and Changes in Net Position		
	2023	2022	2021
Total operating revenues	\$ 8,722,647	\$ 7,226,970	\$ 7,726,261
Total operating expenses	22,570,808	21,684,469	22,375,824
Operating loss	(13,848,161)	(14,457,499)	(14,649,563)
Net nonoperating revenues	16,070,834	17,099,470	15,835,323
Increase in net position	2,222,673	2,641,971	1,185,760
Net position, beginning of year	8,559,087	5,917,116	4,731,356
Net position, end of year	\$ 10,781,760	\$ 8,559,087	\$ 5,917,116

Operating Revenue

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

	Operating Revenues		
	2023	2022	2021
Net tuition and fees	\$ 7,077,679	\$ 6,002,991	\$ 6,446,252
Grants	949,246	710,100	826,363
Auxiliary services, net	346,223	261,893	252,699
Other operating revenues	349,499	251,986	200,947
Total operating revenues	\$ 8,722,647	\$ 7,226,970	\$ 7,726,261

Operating revenues increased from 2022 to 2023 as a result of the following factors:

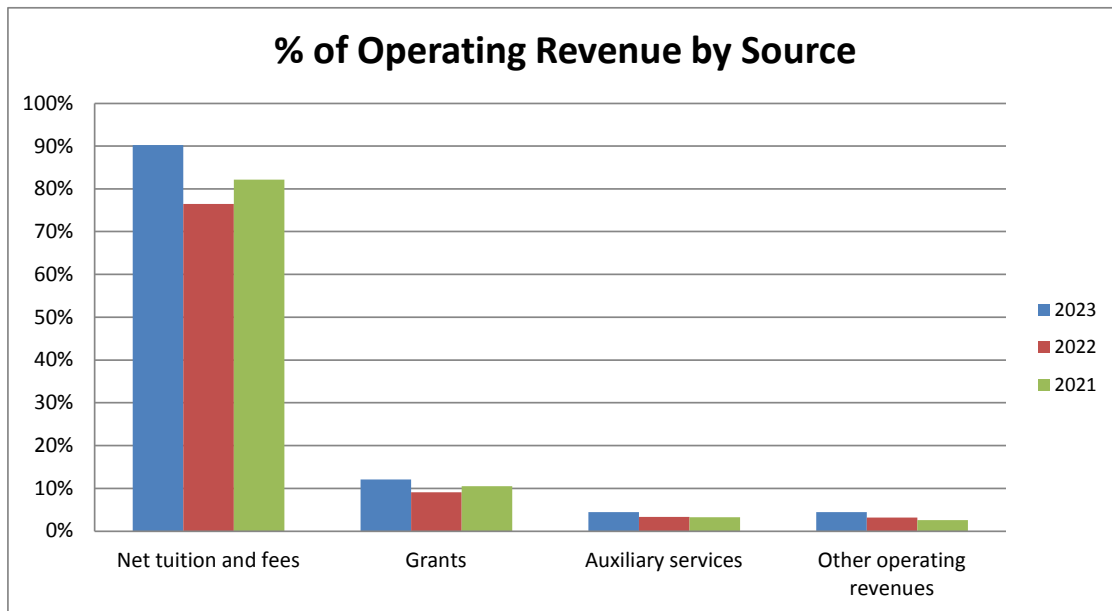
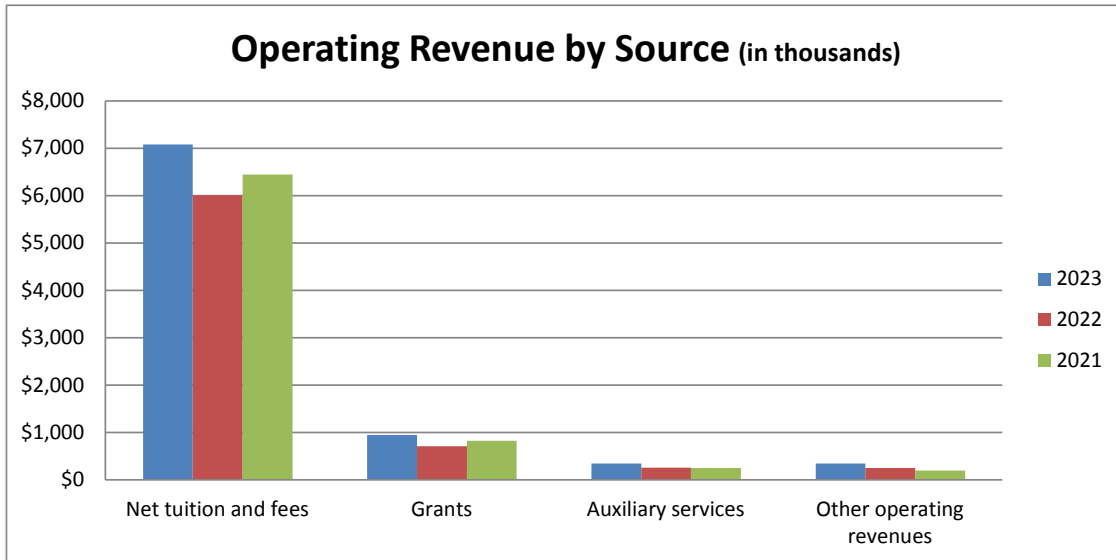
- Increase in tuition and fees, net of scholarship allowance, of approximately \$1.1 million, grants of approximately \$239,000, net auxiliary services of approximately \$84,000 and other operating revenues of approximately \$98,000.

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

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

BAY DE NOC COMMUNITY COLLEGE

Management's Discussion and Analysis



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

BAY DE NOC COMMUNITY COLLEGE

Management's Discussion and Analysis

Nonoperating Revenue (Expense)

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

	Nonoperating Revenues (Expenses)		
	2023	2022	2021
State appropriations	\$ 6,628,372	\$ 6,823,030	\$ 6,823,818
Property tax levy	4,373,580	4,047,276	3,939,105
Property taxes from Dickinson County	1,199,601	1,146,900	1,135,863
Pell grants	2,346,623	2,412,923	2,449,475
Federal Higher Education Emergency Relief Fund grant	946,349	2,819,689	1,045,128
Federal Coronavirus Relief Fund grant	-	-	627,900
Support from component unit	644,967	605,213	599,308
Private gifts, grants and contracts	264,097	209,708	394,177
Contributions to the YMCA	-	(620,000)	(850,000)
Interest income	122,126	72,632	86,143
(Loss) gain on disposal of capital assets	(71,221)	(5,296)	4,235
Interest on capital asset - related debt	(383,660)	(412,605)	(419,829)
Net nonoperating revenues	\$ 16,070,834	\$ 17,099,470	\$ 15,835,323

Changes in nonoperating revenues (expenses) from 2022 to 2023 were primarily the result of the following factors:

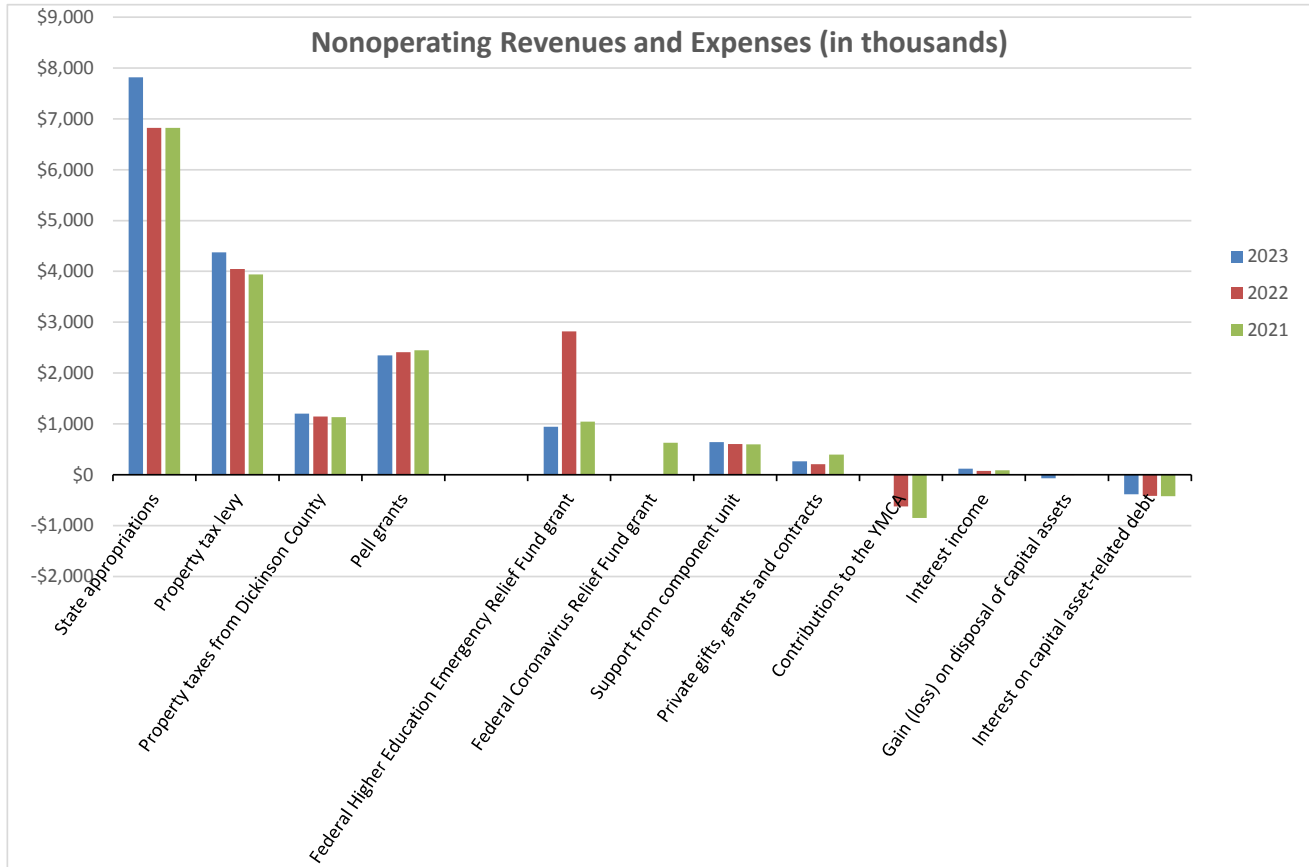
- A \$1.9 million decrease in HEERF funding and a \$195,000 decrease in State appropriations partially offset by a decrease of \$620,000 in contributions to the YMCA and an increase of \$379,000 in property tax revenue.

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

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

BAY DE NOC COMMUNITY COLLEGE

Management's Discussion and Analysis

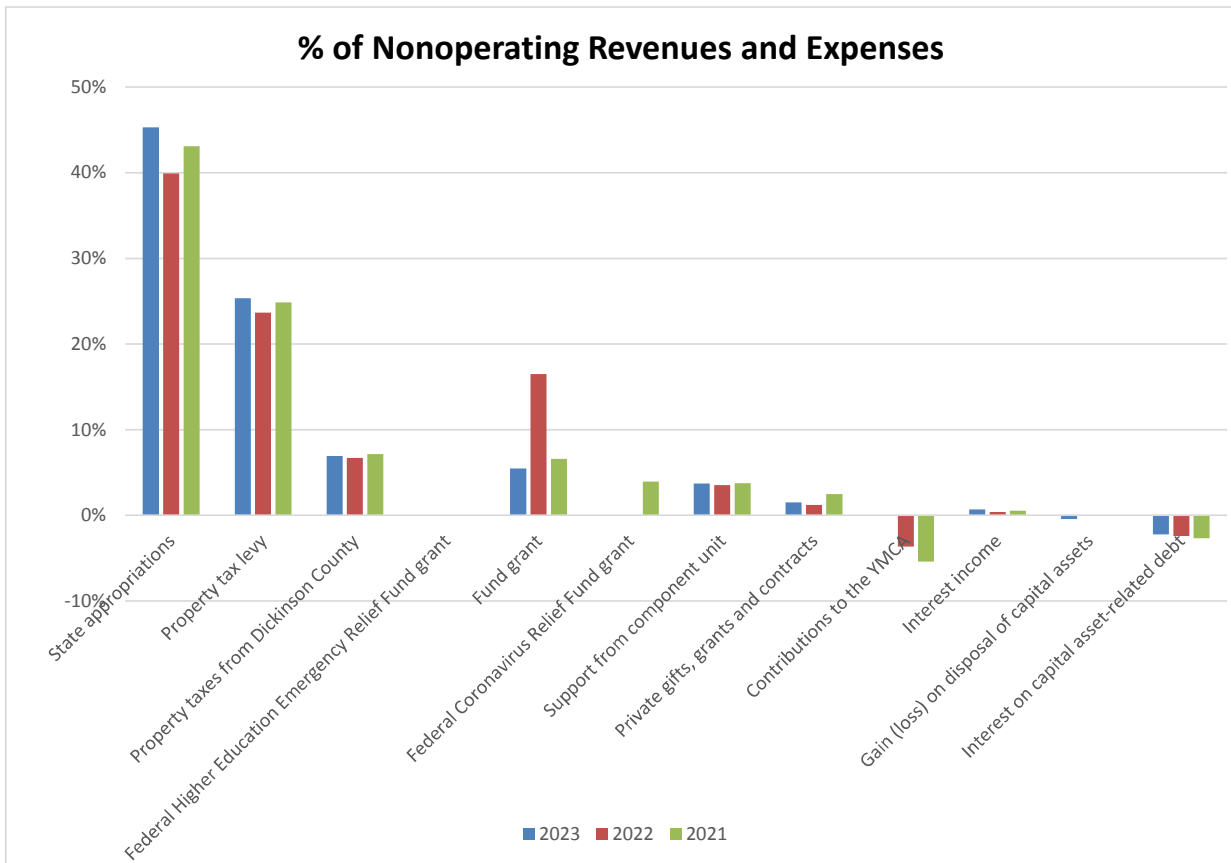


BAY DE NOC COMMUNITY COLLEGE

Management's Discussion and Analysis

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

	Operating Expenses		
	2023	2022	2021
Instruction	\$ 8,825,597	\$ 7,898,248	\$ 9,000,378
Public service	138,279	132,593	190,937
Instructional support	1,720,832	1,673,390	1,630,422
Student services	3,773,106	4,343,010	3,549,926
Institutional administration	2,073,940	1,465,311	1,750,650
Operations and maintenance of plant	1,978,957	2,345,060	2,338,657
Information technology	1,648,715	1,599,689	1,773,441
Depreciation	2,411,382	2,227,168	2,141,413
Total operating expenses	\$ 22,570,808	\$ 21,684,469	\$ 22,375,824



BAY DE NOC COMMUNITY COLLEGE

Management's Discussion and Analysis

Changes in operating expenses from 2022 to 2023 were a result of the following factors:

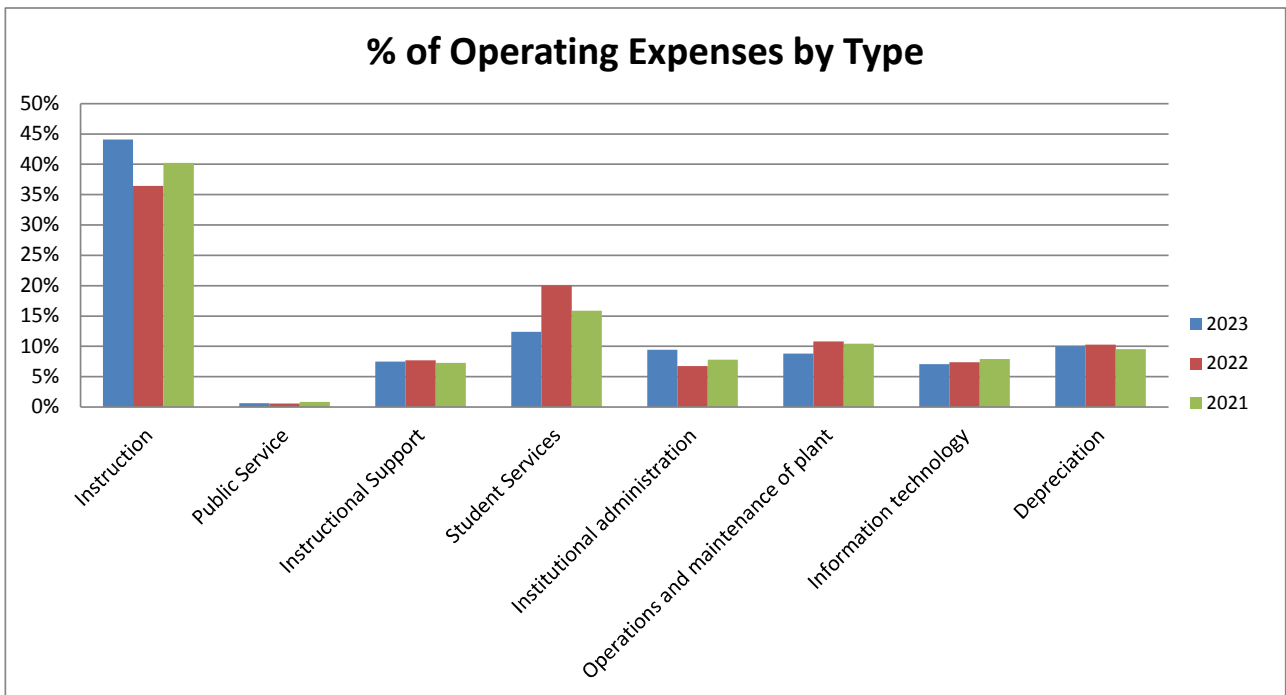
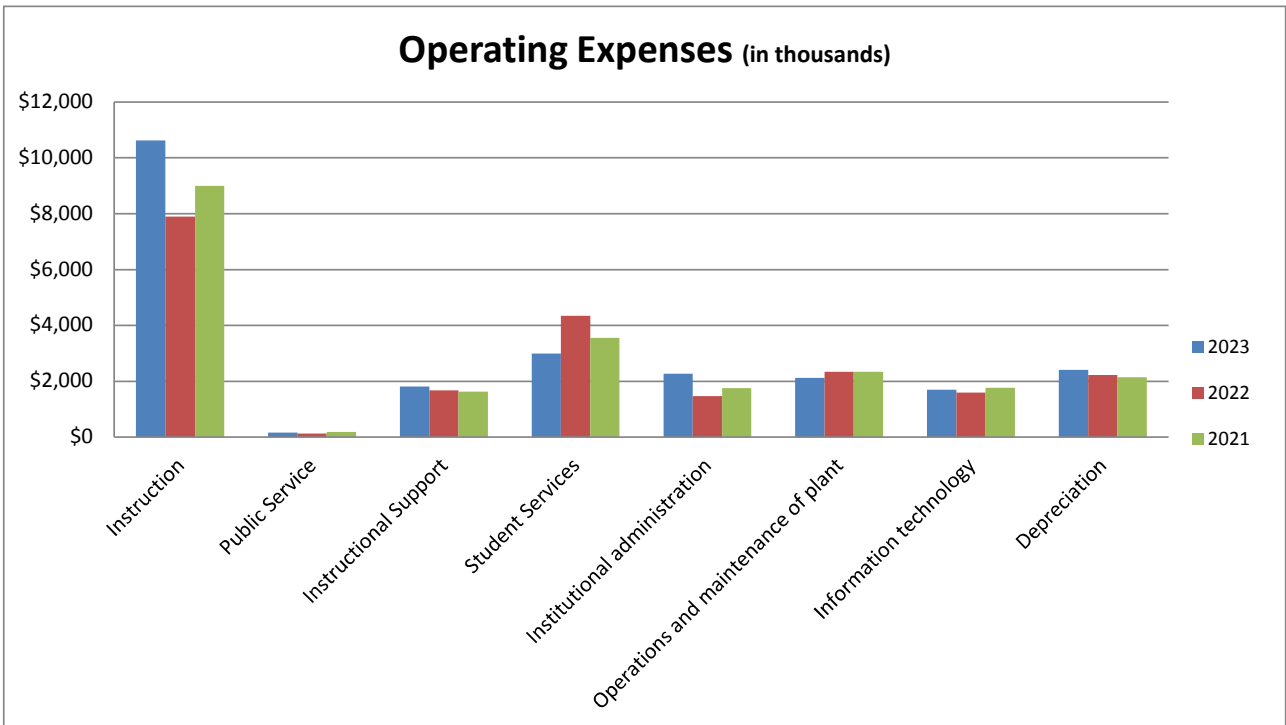
- Instruction expenses increased by approximately \$927,000, or 11.7% as a result of a \$455,000 one-time distribution from the State to pay down the unfunded pension liability, an increase in salaries of \$324,000 related to pay increases, staffing changes and associated fica and retirement increases, \$190,000 increase in workforce development expenses and \$58,000 additional HEERF spending, partially offset by a \$152,000 reduction in the unfunded defined benefit pension and OPEB liabilities.
- Student services expenses decreased by approximately \$570,000, or 13.1%, as a result of the elimination of emergency grants to students (funded under the CARES Act) of \$1.6 million, partially offset by a decrease in the scholarship allowance of \$876,000, an increase in salaries and benefits of \$87,000 and an increase of \$64,000 related to EMS scholarships made available by a new grant.
- Institutional administration expenses increased by approximately \$609,000 or 41.5% mostly due to \$268,000 additional HEERF eligible expenses, \$122,000 additional human resources costs related to the presidential search and recruitment for other vacant positions, \$68,000 increased costs in administration also related to the presidential search, \$64,000 in increased costs for staffing at Bay West and \$20,000 increase as a result of the changes in the unfunded defined benefit pension and OPEB liabilities.

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

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

BAY DE NOC COMMUNITY COLLEGE

Management's Discussion and Analysis



BAY DE NOC COMMUNITY COLLEGE

Management's Discussion and Analysis

Statements of Cash Flows

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

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

	Statements of Cash Flows		
	2023	2022	2021
Net cash used in operating activities	\$ (12,699,457)	\$ (15,083,298)	\$ (12,756,586)
Net cash provided by noncapital financing activities	17,333,983	16,756,990	15,458,101
Net cash used in capital and related financing activities	(3,589,969)	(4,363,377)	(712,511)
Net cash provided by investing activities	122,126	72,632	86,143
Increase (decrease) in cash and cash equivalents	1,166,683	(2,617,053)	2,075,147
Cash and cash equivalents, beginning of year	7,568,605	10,185,658	8,110,511
Cash and cash equivalents, end of year	\$ 8,735,288	\$ 7,568,605	\$ 10,185,658

Changes in cash flows from 2022 to 2023 were a result of the following factors:

- The College receives the majority of its operating funds from student tuition and fees and grants and contracts. These sources are offset by expenditures for operations such as payments to employees and suppliers. Net cash used in operating activities decreased by approximately \$2.3 million from 2022 to 2023 mainly as a result of an increase in tuition and fees receipts and a decrease in payments to suppliers.
- Net cash provided by noncapital financing activities increased by approximately \$577,000 from 2022 to 2023 due to an increase in local property taxes and a decrease in the Federal Higher Education Emergency Relief Funds grant along with no additional contributions to the YMCA.
- Net cash used in capital and related financing activities decreased by approximately \$860,779 due to lower capital spending.

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

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

BAY DE NOC COMMUNITY COLLEGE

Management's Discussion and Analysis

Capital Assets

As of June 30, 2023, the College had \$32.0 million in capital assets, net of accumulated depreciation.

	Balance July 1, 2022	Additions	Retirements	Transfers	Balance June 30, 2023
Capital assets not being depreciated:					
Land	\$ 1,321,225	\$ -	\$ -	\$ -	\$ 1,321,225
Construction in progress	1,875,103	978,439	-	(2,095,039)	758,503
Subtotal, non depreciable assets	3,196,328	978,439	-	(2,095,039)	2,079,728
Capital assets being depreciated:					
Land improvements	2,036,216	83,031	-	27,469	2,146,716
Infrastructure	265,180	-	-	-	265,180
Building and building improvements	52,686,735	314,508	-	1,603,811	54,605,054
Furniture, fixtures and equipment	24,255,253	754,693	(3,141,310)	463,759	22,332,395
Library materials	779,613	-	-	-	779,613
Vehicles	262,221	61,696	(46,615)	-	277,302
Subtotal, depreciable capital assets	80,285,218	1,213,928	(3,187,925)	2,095,039	80,406,260
Total capital assets	83,481,546	2,192,367	(3,187,925)	-	82,485,988
Less accumulative depreciation:					
Land improvements	1,742,948	82,867	-	-	1,825,815
Infrastructure	254,296	8,032	-	-	262,328
Building and building improvements	26,050,112	1,419,118	-	-	27,469,230
Furniture, fixtures and equipment	22,150,743	884,225	(3,110,045)	-	19,924,923
Library materials	779,613	-	-	-	779,613
Vehicles	206,264	17,140	(6,659)	-	216,745
Total accumulative depreciation	51,183,976	2,411,382	(3,116,704)	-	50,478,654
Net depreciable capital assets	29,101,242	(1,197,454)	(71,221)	2,095,039	29,927,606
Capital assets, net	\$ 32,297,570	\$ (219,015)	\$ (71,221)	\$ -	\$ 32,007,334

BAY DE NOC COMMUNITY COLLEGE

Management's Discussion and Analysis

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

	Balance July 1, 2021	Additions	Retirements	Transfers	Balance June 30, 2022
Capital assets not being depreciated:					
Land	\$ 1,321,225	\$ -	\$ -	\$ -	\$ 1,321,225
Construction in progress	2,486,143	1,407,386	-	(2,018,426)	1,875,103
Subtotal, non depreciable assets	3,807,368	1,407,386	-	(2,018,426)	3,196,328
Capital assets being depreciated:					
Land improvements	1,996,295	39,921	-	-	2,036,216
Infrastructure	265,180	-	-	-	265,180
Building and building improvements	49,499,142	1,190,096	(20,929)	2,018,426	52,686,735
Furniture, fixtures and equipment	24,275,378	267,747	(287,872)	-	24,255,253
Library materials	779,613	-	-	-	779,613
Vehicles	264,210	46,615	(48,604)	-	262,221
Subtotal, depreciable capital assets	77,079,818	1,544,379	(357,405)	2,018,426	80,285,218
Total capital assets	80,887,186	2,951,765	(357,405)	-	83,481,546
Less accumulative depreciation:					
Land improvements	1,664,726	78,222	-	-	1,742,948
Infrastructure	238,586	15,710	-	-	254,296
Building and building improvements	24,736,316	1,334,725	(20,929)	-	26,050,112
Furniture, fixtures and equipment	21,651,862	786,754	(287,873)	-	22,150,743
Library materials	779,613	-	-	-	779,613
Vehicles	207,815	11,757	(13,308)	-	206,264
Total accumulative depreciation	49,278,918	2,227,168	(322,110)	-	51,183,976
Net depreciable capital assets	27,800,900	(682,789)	(35,295)	2,018,426	29,101,242
Capital assets, net	\$ 31,608,268	\$ 724,597	\$ (35,295)	\$ -	\$ 32,297,570

Debt

The College had approximately \$12,448,000 in bond debt, including bond premium, outstanding at June 30, 2023. Debt principal repayments of approximately \$1,096,000 were made on this debt during the year. More detailed information about the College's long-term liabilities is presented in the notes to the financial statements.

BAY DE NOC COMMUNITY COLLEGE

Management's Discussion and Analysis

Economic Factors

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

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

Competency Based Education (CBE) is a major focus for the College which will directly support Michigan's 60 by 30 goal of increasing the number of working-age adults with a skill certificate or college degree from 50.5% today to 60% by 2030. CBE is focused on actual student learning, and the application of that learning, rather than time spent in a class/on material. Learners' progress is measured when they demonstrate their competence through a system of rigorous assessments, meaning they prove they have mastered the knowledge and skills required for a particular competency or area of study. Bay College has received approval from the Higher Learning Commission (HLC) to deliver its first CBE program in Water Technology and is in the process of seeking approval for its second CBE program in Early Childhood Education.

Enrollment (billable contact hours) for Fall 2023 fell by 647 or 3.7% compared to Fall 2022 from 17,502 to 16,855. By contrast student head count rose by 27 or 1.4% over the same time period from 1,969 to 1,996. This is the result of the Michigan Reconnect program which offers free tuition at community colleges to in-district students age 25 and over working toward an associate degree or Pell-eligible skill certificate and also a result of the increase in dual enrolled high school students. The influx of these non-traditional students has shifted the full-time vs. part-time ratio. Currently 71% of Bay students are attending on a part-time basis while 29% attend on a full-time basis. The College also continues to see a shift to online learning. For Fall 2023 51.2% of all courses are held online compared to 50.0% Fall 2022 and 46.1% Fall 2021.

The Bay de Noc Community College Foundation plays a vital role in the success of the College. Organized as a non-profit corporation in 1972, its purpose is to actively promote the educational and community benefits provided by the College and to encourage gifts and contributions to the Foundation as a means of directly supporting the College and providing financial support to students. With Net Assets of \$12,906,894 at June 30, 2023, it provided \$586,689 in scholarships to Bay College students and \$123,463 in equipment and program support to the College for the 22-23 fiscal year.

FINANCIAL STATEMENTS

BAY DE NOC COMMUNITY COLLEGE

Statements of Net Position

	June 30	
	2023	2022
Assets		
Current assets		
Cash and cash equivalents	\$ 7,323,349	\$ 5,658,278
Cash-restricted for capital improvements	749,632	1,248,020
Student receivables, net	109,634	82,061
State appropriations receivable	1,253,886	1,205,207
Grants receivable	186,141	890,820
Due from component unit	72,296	143,718
Other receivables, net	207,047	344,788
Prepays and other current assets	664,323	681,530
Total current assets	10,566,308	10,254,422
Noncurrent assets		
Cash-restricted for debt repayment	662,307	662,307
Capital assets not being depreciated	2,079,728	3,196,328
Capital assets being depreciated, net	29,927,606	29,101,242
Total noncurrent assets	32,669,641	32,959,877
Total assets	43,235,949	43,214,299
Deferred outflows of resources		
Deferred pension amounts (Note 6)	4,952,082	2,239,262
Deferred OPEB amounts (Note 6)	1,231,874	881,103
Total deferred outflows of resources	6,183,956	3,120,365
Liabilities		
Current liabilities		
Accounts payable	395,028	352,161
Accrued payroll and related liabilities	1,268,210	1,266,562
Unearned revenue	443,113	331,021
Interest payable	43,070	47,441
Other current liabilities	309,203	355,149
Current portion of accrued employee benefits payable	-	29,226
Current portion of long-term debt	1,136,006	1,096,026
Total current liabilities	3,594,630	3,477,586
Noncurrent liabilities		
Long-term debt, net of current portion	11,312,070	12,448,338
Accrued employee benefits payable, net of current portion	513,589	483,503
Net pension liability (Note 6)	16,592,561	11,323,723
Net OPEB liability (Note 6)	951,741	689,384
Total noncurrent liabilities	29,369,961	24,944,948
Total liabilities	32,964,591	28,422,534
Deferred inflows of resources		
Deferred pension amounts (Note 6)	3,210,143	6,096,190
Deferred OPEB amounts (Note 6)	2,463,411	3,256,853
Total deferred inflows of resources	5,673,554	9,353,043
Net position		
Net investment in capital assets (Note 1)	20,134,802	19,913,855
Restricted	1,038,478	662,307
Unrestricted (deficit) (Note 1)	(10,391,520)	(12,017,075)
Total net position	\$ 10,781,760	\$ 8,559,087

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

BAY DE NOC COMMUNITY COLLEGE

Statements of Revenues, Expenses and Changes in Net Position

	Year Ended June 30	
	2023	2022
Operating revenues		
Tuition and fees	\$ 9,178,415	\$ 9,025,967
Scholarship allowance	(2,100,736)	(3,022,976)
Net tuition and fees	7,077,679	6,002,991
Federal grants and contracts	757,748	659,433
State and local grants and contracts	191,498	50,667
Sales and service of auxiliary activities, net of scholarship allowance of \$87,905 (\$41,738 for 2022)	346,223	261,893
Other operating revenues	349,499	251,986
Total operating revenues	8,722,647	7,226,970
Operating expenses		
Instruction	8,825,597	7,898,248
Public service	138,279	132,593
Instructional support	1,720,832	1,673,390
Student services	3,773,106	4,343,010
Institutional administration	2,073,940	1,465,311
Operations and maintenance of plant	1,978,957	2,345,060
Information technology	1,648,715	1,599,689
Depreciation	2,411,382	2,227,168
Total operating expenses	22,570,808	21,684,469
Operating loss	(13,848,161)	(14,457,499)
Nonoperating revenues (expenses)		
State appropriations	6,628,372	6,823,030
Property tax levy	4,373,580	4,047,276
Property taxes from Dickinson County	1,199,601	1,146,900
Federal Pell grants	2,346,623	2,412,923
Federal Higher Education Emergency Relief Funds grant	946,349	2,819,689
Support from component unit	644,967	605,213
Private gifts, grants and contracts	264,097	209,708
Contributions to the YMCA	-	(620,000)
Interest income	122,126	72,632
Loss on disposal of capital assets	(71,221)	(5,296)
Interest on capital asset - related debt	(383,660)	(412,605)
Net nonoperating revenues	16,070,834	17,099,470
Increase in net position	2,222,673	2,641,971
Net position, beginning of year	8,559,087	5,917,116
Net position, end of year	\$ 10,781,760	\$ 8,559,087

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

BAY DE NOC COMMUNITY COLLEGE

Statements of Cash Flows

	Year Ended June 30	
	2023	2022
Cash flows from operating activities		
Tuition and fees	\$ 7,075,258	\$ 6,077,158
Grants and other contracts	1,000,214	819,129
Auxiliary activities and other revenue	346,223	261,893
Payments to employees	(9,453,479)	(9,144,399)
Payments to suppliers	(11,941,967)	(13,251,451)
Other operating receipts, net	274,294	154,372
Net cash used in operating activities	(12,699,457)	(15,083,298)
Cash flows from noncapital financing activities		
State appropriations	6,579,693	6,805,071
Local property taxes and Dickinson County	5,740,181	5,027,176
Federal Pell grants	2,357,446	2,399,778
Federal Higher Education Emergency Relief Funds grant	1,676,177	2,322,649
Federal direct lending receipts	2,601,091	2,623,318
Federal direct lending disbursements	(2,601,091)	(2,623,318)
Gifts and donations	980,486	822,316
Contributions to YMCA	-	(620,000)
Net cash provided by noncapital financing activities	17,333,983	16,756,990
Cash flows from capital and related financing activities		
Purchase of capital assets	(2,105,650)	(2,864,394)
Principal paid on long-term debt	(1,090,000)	(1,060,000)
Interest paid on capital asset - related debt	(394,319)	(438,983)
Net cash used in capital and related financing activities	(3,589,969)	(4,363,377)
Cash flows provided by investing activities		
Interest received on bank deposits	122,126	72,632
Net increase (decrease) in cash, cash equivalents and restricted cash	1,166,683	(2,617,053)
Cash, cash equivalents and restricted cash, beginning of year	7,568,605	10,185,658
Cash, cash equivalents and restricted cash, end of year	\$ 8,735,288	\$ 7,568,605
Reconciliation to statements of net position		
Cash and cash equivalents	\$ 7,323,349	\$ 5,658,278
Cash-restricted for capital improvements	749,632	1,248,020
Cash-restricted for debt repayment	662,307	662,307
Cash, cash equivalents and restricted cash, end of year	\$ 8,735,288	\$ 7,568,605

continued...

BAY DE NOC COMMUNITY COLLEGE

Statements of Cash Flows (Concluded)

	Year Ended June 30	
	2023	2022
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (13,848,161)	\$ (14,457,499)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	2,411,382	2,227,168
Bad debts	104,641	88,009
Change in operating assets and liabilities which provided (used) cash:		
Student receivables	(132,214)	(97,695)
Grants receivable	(35,972)	103,317
Other receivables	(29,259)	(129,953)
Prepays and other current assets	17,207	(90,854)
Accounts payable	(43,850)	(938,257)
Accrued payroll and related liabilities	1,648	24,823
Unearned revenue	112,092	89,565
Accrued employee benefits payable	860	(274,708)
Other current liabilities	(45,946)	32,339
Change in net pension liability	5,268,838	(6,565,863)
Change in net OPEB liability	262,357	(1,948,470)
Change in pension deferred inflows	(2,886,047)	4,301,334
Change in OPEB deferred inflows	(793,442)	740,064
Change in pension deferred outflows	(2,712,820)	1,469,832
Change in OPEB deferred outflows	(350,771)	343,550
Net cash used in operating activities	<u>\$ (12,699,457)</u>	<u>\$ (15,083,298)</u>

Non-cash capital and related financing activities related to the acquisition of capital assets included in accounts payable were \$86,717 and \$87,371 for 2023 and 2022, respectively.

concluded

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

BAY DE NOC COMMUNITY COLLEGE FOUNDATION - Component Unit

Statements of Financial Position

	June 30	
	2023	2022
Assets		
Cash and cash equivalents	\$ 1,208,453	\$ 1,253,437
Accrued income receivable and other assets	52,097	50,102
Contributions receivable	4,082	17,513
Investments	10,239,256	9,674,180
Beneficial interest in trust assets	1,971,195	1,996,698
Beneficial interest in charitable remainder trusts	171,475	176,511
Total assets	<u>\$ 13,646,558</u>	<u>\$ 13,168,441</u>
Liabilities and Net Assets		
Liabilities		
Accrued expenses	\$ 10,500	\$ 10,500
Due to Bay de Noc Community College	72,296	143,718
Deferred revenue	24,770	27,195
Due to William Bonifas Fine Arts Center	632,098	652,043
Total liabilities	<u>739,664</u>	<u>833,456</u>
Net assets		
Without donor restrictions	1,121,549	1,009,812
With donor restrictions	11,785,345	11,325,173
Total net assets	<u>12,906,894</u>	<u>12,334,985</u>
Total liabilities and net assets	<u>\$ 13,646,558</u>	<u>\$ 13,168,441</u>

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

BAY DE NOC COMMUNITY COLLEGE FOUNDATION - Component Unit

Statements of Revenues, Expenses, and Changes in Net Assets

	Year Ended June 30	
	2023	2022
Support and gains (losses)		
Contributions	\$ 500,250	\$ 674,319
Investment income (loss), net	752,883	(1,294,015)
Gain (loss) on beneficial interest in trusts	60,950	(181,979)
Total support and gains (losses)	<u>1,314,083</u>	<u>(801,675)</u>
Expenses		
Program:		
Scholarships	586,689	578,328
Other	123,463	76,286
Supporting services	178,694	185,476
Total expenses	<u>888,846</u>	<u>840,090</u>
Change in net assets before equity transfer from Bay de Noc Community College	425,237	(1,641,765)
Equity transfer from Bay de Noc Community College	146,672	143,042
Change in net assets	571,909	(1,498,723)
Net assets, beginning of year	12,334,985	13,833,708
Net assets, end of year	<u><u>\$ 12,906,894</u></u>	<u><u>\$ 12,334,985</u></u>

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

BAY DE NOC COMMUNITY COLLEGE

Notes to Financial Statements

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

The accompanying financial statements as of and for the years ended June 30, 2023 and 2022 include the accounts of all funds of the College and Bay de Noc Community College Foundation (the "Foundation"). The Foundation is considered a component unit of the College in accordance with Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus*. The College reports financial information for the Foundation using a discrete rather than blended presentation because certain criteria are met, including the individual trustees of the Foundation are independently appointed by the Foundation's Board of Trustees. The Foundation is considered a component unit because the Foundation provides support entirely, or almost entirely, to the College through financial support to students.

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

Risks and Economic Uncertainties

The outbreak of a novel coronavirus (COVID-19), which the World Health Organization declared in March 2020 to be a pandemic, continues to spread throughout the United States of America and the globe. The extent of the ultimate impact of the pandemic on the College's operational and financial performance will depend on various developments, including the duration and spread of the outbreak, and its impact on students, employees, and vendors, all of which cannot be reasonably predicted at this time. The College was awarded \$4,945,431 during 2021 from the Federal Coronavirus Response and Relief Supplemental Appropriations Act and American Rescue Plan Act and \$778,116 during 2020 from the Federal Coronavirus Aid, Relief, and Economic Security Act (collectively "HEERF"). The College recognized revenue from these awards of \$946,349 and \$2,819,689 during 2023 and 2022, respectively. The extent of the ultimate impact of the pandemic on the College's operational and financial performance will depend on various developments, including the duration and spread of the outbreak, and its impact on funders, students, employees, and vendors, all of which will continue to change and cannot be reasonably predicted at this time.

Basis of Presentation

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

BAY DE NOC COMMUNITY COLLEGE

Notes to Financial Statements

Significant Accounting Policies

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

Accrual Basis

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

Use of Estimates

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

Cash and Cash Equivalents

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

Cash-Restricted for Capital Improvements and Debt

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

Accounts Receivable

Accounts receivable resulting from Federal and State grants, State appropriations, and student tuition consist of revenues earned, but not received as of year-end. A bad debt allowance is established based on a specific assessment of all invoices that remain unpaid following normal student payment periods. In addition, a general valuation allowance is established for student accounts receivable and other receivables based on historical loss experience and knowledge of specifically uncollectible items. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to the bad debt allowance based on its assessment. Balances that are still outstanding after management has used reasonable collection efforts are written off. The bad debt allowance for student receivables was approximately \$256,000 and \$189,000 at June 30, 2023 and 2022, respectively. The bad debt allowance for other receivables was approximately \$1,600 for June 30, 2023 and 2022.

BAY DE NOC COMMUNITY COLLEGE

Notes to Financial Statements

Capital Assets and Depreciation

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

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

Unearned Revenue

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

Deferred Outflows of Resources

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

Deferred Inflows of Resources

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

Pension and Other Postemployment Benefits ("OPEB") Liabilities

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

BAY DE NOC COMMUNITY COLLEGE

Notes to Financial Statements

Revenue Recognition

The College generally follows the revenue recognition methods set forth in the *Manual For Uniform Financial Reporting—Michigan Public Community Colleges, 2001*. In general, revenues are recognized when earned and expenditures are recognized when the service is provided. Property taxes are recorded as revenue in the year taxes are levied. Under this method, revenue for fiscal year 2023 includes property taxes that were levied on July 1, 2022 and December 1, 2022, which are generally collected before March 1, 2023. Uncollected real property taxes of the College are turned over to Delta County for subsequent collection. State appropriations are recorded as revenue in the period for which they are appropriated. Changes to State appropriations are recorded in the College's fiscal year in which the changes are approved by the State legislature.

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

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

Operating Expenses

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

	2023	2022
Salaries and wages	\$ 10,298,124	\$ 9,758,666
Benefits	5,877,447	5,216,668
Capital under \$5,000	211,967	204,394
Pell and other scholarships	317,946	1,060,108
Professional services	1,001,674	946,813
Rent, utilities and insurance	1,106,515	1,238,066
Supplies and materials	558,263	546,095
Travel and professional development	682,849	398,482
Bad debt expense	104,641	88,009
Depreciation	2,411,382	2,227,168
Total operating expenses	\$ 22,570,808	\$ 21,684,469

BAY DE NOC COMMUNITY COLLEGE

Notes to Financial Statements

Net Position

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

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

	2023	2022
Auxiliary fund	\$ 1,504,610	\$ 1,300,354
Plant fund	(13,109,294)	(11,694,108)
Pension and OPEB liability fund	(17,033,900)	(18,245,785)
General fund	18,247,064	16,622,464
Total unrestricted net deficit	\$ (10,391,520)	\$ (12,017,075)

Net Investment in Capital Assets

The following is a summary of the net investment in capital assets as of June 30:

	2023	2022
Cash-restricted for capital improvements	\$ 749,632	\$ 1,248,020
Capital assets, not being depreciated	2,079,728	3,196,328
Capital assets, being depreciated	29,927,606	29,101,242
Net payables related to the acquisition of capital assets	(174,088)	(87,371)
Long-term obligations - current portion	(1,136,006)	(1,096,026)
Long-term obligations - noncurrent portion	(11,312,070)	(12,448,338)
Total net investment in capital assets	\$ 20,134,802	\$ 19,913,855

Internal Services Activities

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

Reclassification

Certain amounts as reported in the 2022 financial statements have been reclassified to conform with the 2023 presentation.

BAY DE NOC COMMUNITY COLLEGE

Notes to Financial Statements

Change in Accounting Principle

For 2023, the College implemented Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements* ("SBITAs"). The standard requires recognition of certain right-to-use subscription assets and liabilities for contracts that convey control of the right to use another party's (a SBITA vendor's) information technology software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction. The implementation of the standard effective July 1, 2021, did not have an impact on the College's financial statements. No right-to-use subscription assets or liabilities were recognized upon the date of implementation or during the fiscal years ended June 30, 2023 and 2022.

2. CASH AND CASH EQUIVALENTS

College Deposits and Investments

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

Custodial Credit Risk

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

At June 30, 2023 and 2022, the carrying amount of cash deposits at banks for the College totaled \$8,735,288 and \$7,568,605, respectively, while the bank balances totaled \$8,857,605 and \$7,913,347, respectively. Of the bank balances, \$500,000 was insured at both June 30, 2023 and 2022, and the remaining \$8,357,605 and \$7,413,347, respectively, was uninsured and uncollateralized.

BAY DE NOC COMMUNITY COLLEGE

Notes to Financial Statements

3. CAPITAL ASSETS

The following presents the changes in the various capital asset categories for the year ended June 30, 2023:

	Balance July 1, 2022	Additions	Retirements	Transfers	Balance June 30, 2023
Capital assets not being depreciated:					
Land	\$ 1,321,225	\$ -	\$ -	\$ -	\$ 1,321,225
Construction in progress	1,875,103	978,439	-	(2,095,039)	758,503
Subtotal, nondepreciable capital assets	3,196,328	978,439	-	(2,095,039)	2,079,728
Capital assets being depreciated:					
Land improvements	2,036,216	83,031	-	27,469	2,146,716
Infrastructure	265,180	-	-	-	265,180
Building and building improvements	52,686,735	314,508	-	1,603,811	54,605,054
Furniture, fixtures and equipment	24,255,253	754,693	(3,141,310)	463,759	22,332,395
Library materials	779,613	-	-	-	779,613
Vehicles	262,221	61,696	(46,615)	-	277,302
Subtotal, depreciable capital assets	80,285,218	1,213,928	(3,187,925)	2,095,039	80,406,260
Less accumulated depreciation:					
Land improvements	1,742,948	82,867	-	-	1,825,815
Infrastructure	254,296	8,032	-	-	262,328
Building and building improvements	26,050,112	1,419,118	-	-	27,469,230
Furniture, fixtures and equipment	22,150,743	884,225	(3,110,045)	-	19,924,923
Library materials	779,613	-	-	-	779,613
Vehicles	206,264	17,140	(6,659)	-	216,745
Total accumulated depreciation	51,183,976	2,411,382	(3,116,704)	-	50,478,654
Net depreciable capital assets	29,101,242	(1,197,454)	(71,221)	2,095,039	29,927,606
Capital assets, net	\$ 32,297,570	\$ (219,015)	\$ (71,221)	\$ -	\$ 32,007,334

Construction in progress relates to renovations to enhance the College's facilities. The total expected costs to complete are approximately \$302,000.

BAY DE NOC COMMUNITY COLLEGE

Notes to Financial Statements

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

	Balance July 1, 2021	Additions	Retirements	Transfers	Balance June 30, 2022
Capital assets not being depreciated:					
Land	\$ 1,321,225	\$ -	\$ -	\$ -	\$ 1,321,225
Construction in progress	2,486,143	1,407,386	-	(2,018,426)	1,875,103
Subtotal, nondepreciable capital assets	3,807,368	1,407,386	-	(2,018,426)	3,196,328
Capital assets being depreciated:					
Land improvements	1,996,295	39,921	-	-	2,036,216
Infrastructure	265,180	-	-	-	265,180
Building and building improvements	49,499,142	1,190,096	(20,929)	2,018,426	52,686,735
Furniture, fixtures and equipment	24,275,378	267,747	(287,872)	-	24,255,253
Library materials	779,613	-	-	-	779,613
Vehicles	264,210	46,615	(48,604)	-	262,221
Subtotal, depreciable capital assets	77,079,818	1,544,379	(357,405)	2,018,426	80,285,218
Less accumulated depreciation:					
Land improvements	1,664,726	78,222	-	-	1,742,948
Infrastructure	238,586	15,710	-	-	254,296
Building and building improvements	24,736,316	1,334,725	(20,929)	-	26,050,112
Furniture, fixtures and equipment	21,651,862	786,754	(287,873)	-	22,150,743
Library materials	779,613	-	-	-	779,613
Vehicles	207,815	11,757	(13,308)	-	206,264
Total accumulated depreciation	49,278,918	2,227,168	(322,110)	-	51,183,976
Net depreciable capital assets	27,800,900	(682,789)	(35,295)	2,018,426	29,101,242
Capital assets, net	\$ 31,608,268	\$ 724,597	\$ (35,295)	\$ -	\$ 32,297,570

BAY DE NOC COMMUNITY COLLEGE

Notes to Financial Statements

4. LONG-TERM OBLIGATIONS

Changes in long-term obligations for the year ended June 30, 2023 are as follows:

	Balance July 1, 2022	Additions	Reductions	Balance June 30, 2023	Current Portion
Bonds payable					
Facilities bonds of 2015	\$ 2,500,000	\$ -	\$ (175,000)	\$ 2,325,000	\$ 180,000
Refunding facilities bonds of 2016	2,255,000	-	(430,000)	1,825,000	445,000
Facilities bonds of 2016	3,440,000	-	(235,000)	3,205,000	245,000
Facility bonds of 2018	2,785,000	-	(85,000)	2,700,000	90,000
Facility bonds of 2020	2,480,000	-	(165,000)	2,315,000	170,000
Total bonds payable	13,460,000	-	(1,090,000)	12,370,000	1,130,000
Other long-term obligations					
Employee severance plan (Note 8)	29,226	-	(29,226)	-	-
Bond premium	84,364	-	(6,288)	78,076	6,006
Other accrued employee benefits payable (Note 6)	483,503	30,086	-	513,589	-
	597,093	30,086	(35,514)	591,665	6,006
Total long-term obligations	\$ 14,057,093	\$ 30,086	\$ (1,125,514)	\$ 12,961,665	\$ 1,136,006

BAY DE NOC COMMUNITY COLLEGE

Notes to Financial Statements

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

	Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022	Current Portion
Bonds payable					
Facilities bonds of 2015	\$ 2,670,000	\$ -	\$ (170,000)	\$ 2,500,000	\$ 175,000
Refunding facilities bonds of 2016	2,675,000	-	(420,000)	2,255,000	430,000
Facilities bonds of 2016	3,665,000	-	(225,000)	3,440,000	235,000
Facility bonds of 2018	2,870,000	-	(85,000)	2,785,000	85,000
Facility bonds of 2020	2,640,000	-	(160,000)	2,480,000	165,000
Total bonds payable	<u>14,520,000</u>	<u>-</u>	<u>(1,060,000)</u>	<u>13,460,000</u>	<u>1,090,000</u>
Other long-term obligations					
Employee severance plan (Note 8)	328,291	-	(299,065)	29,226	29,226
Bond premium	90,652	-	(6,288)	84,364	6,026
Other accrued employee benefits payable (Note 6)	459,146	24,357	-	483,503	-
	<u>878,089</u>	<u>24,357</u>	<u>(305,353)</u>	<u>597,093</u>	<u>35,252</u>
Total long-term obligations	<u>\$ 15,398,089</u>	<u>\$ 24,357</u>	<u>\$ (1,365,353)</u>	<u>\$ 14,057,093</u>	<u>\$ 1,125,252</u>

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

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

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

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

BAY DE NOC COMMUNITY COLLEGE

Notes to Financial Statements

Future debt service requirements on bonds payable for years ending after June 30, 2023 are as follows:

Year Ending June 30	Principal	Interest	Total
2024	\$ 1,130,000	\$ 364,669	\$ 1,494,669
2025	1,160,000	333,919	1,493,919
2026	1,195,000	302,319	1,497,319
2027	1,205,000	269,819	1,474,819
2028	775,000	237,069	1,012,069
2029-2033	4,280,000	830,344	5,110,344
2034-2038	1,740,000	282,550	2,022,550
2039-2043	885,000	91,100	976,100
	<u>\$ 12,370,000</u>	<u>\$ 2,711,789</u>	<u>\$ 15,081,789</u>

5. LOCAL PROPERTY TAX LEVY

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

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

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

6. RETIREMENT BENEFITS AND DEFERRED COMPENSATION

Defined Benefit Plan

Plan Description

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

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

BAY DE NOC COMMUNITY COLLEGE

Notes to Financial Statements

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

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

Pension Benefits Provided

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

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

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

BAY DE NOC COMMUNITY COLLEGE

Notes to Financial Statements

Other Postemployment Benefits Provided

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

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

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

Contributions

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2021 valuation will be amortized over a 17-year period beginning October 1, 2021 and ending September 30, 2038.

BAY DE NOC COMMUNITY COLLEGE

Notes to Financial Statements

The table below summarizes pension contribution rates in effect for fiscal year 2023, which excludes supplemental MPSERS UAAL employer stabilization contributions that are passed through the College to MPSERS based on rates ranging from 15.05% - 16.65% on prior year covered payroll:

Benefit Structure	Member Rates	Employer Rates
Basic	0.00% - 4.00%	20.14% - 20.16%
Member Investment Plan (MIP)	3.00% - 7.00%	20.14% - 20.16%
Pension Plus	3.00% - 6.40%	17.22% - 17.24%
Pension Plus 2	6.20%	19.93% - 19.95%
Defined Contribution	0.00%	13.73% - 13.75%

Required contributions to the pension plan from the College were \$2,039,868, \$1,458,211 and \$1,448,806 for the years ended June 30, 2023, 2022 and 2021, respectively.

The table below summarizes OPEB contribution rates in effect for fiscal year 2023:

Benefit Structure	Member Rates	Employer Rates
Premium Subsidy	3.00%	8.07% - 8.09%
Personal Healthcare Fund (PHF)	0.00%	7.21% - 7.23%

Required contributions to the OPEB plan from the College were \$354,283, \$326,785 and \$339,860 for the years ended June 30, 2023, 2022 and 2021, respectively.

The table below summarizes defined contribution rates in effect for fiscal year 2023:

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

For the years ended June 30, 2023, 2022 and 2021, required and actual contributions from the College for those members with a defined contribution benefit were \$67,305, \$55,091 and \$43,024, respectively.

BAY DE NOC COMMUNITY COLLEGE

Notes to Financial Statements

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

At June 30, 2023 and 2022, the College reported a liability of \$16,592,561 and \$11,323,723, respectively, for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2022 and 2021, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2021 and 2020, respectively. The College's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2022, the College's proportion was 0.04412%, which was a decrease of 0.00371% points from its proportion measured as of September 30, 2021 of 0.04783%.

For the year ended June 30, 2023, the College recognized pension expense of \$1,201,180. At June 30, 2023, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

2023	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ 165,984	\$ 37,099	\$ 128,885
Changes in assumptions	2,851,197	-	2,851,197
Net difference between projected and actual earnings on pension plan investments	38,910	-	38,910
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	1,982,893	(1,982,893)
	<u>3,056,091</u>	<u>2,019,992</u>	<u>1,036,099</u>
College contributions subsequent to the measurement date	1,895,991	-	1,895,991
Pension portion of Sec 147c state aid award subsequent to the measurement date	-	1,190,151	(1,190,151)
	<u>1,895,991</u>	<u>1,190,151</u>	<u>705,840</u>
Total	<u>\$ 4,952,082</u>	<u>\$ 3,210,143</u>	<u>\$ 1,741,939</u>

BAY DE NOC COMMUNITY COLLEGE

Notes to Financial Statements

The amount reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. The amount reported as deferred inflows of resources resulting from the pension portion of State appropriations payments received pursuant to Sec 147c of the State School Aid Act (PA 94 of 1979), will be recognized as State appropriations revenue for the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2024	\$ 43,834
2025	(27,043)
2026	167,319
2027	851,989
Total	<u>\$ 1,036,099</u>

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

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

BAY DE NOC COMMUNITY COLLEGE

Notes to Financial Statements

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

At June 30, 2023 and 2022, the College reported a liability of \$951,741 and \$689,384, respectively, for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2022 and 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by actuarial valuations rolled forward from September 30, 2021 and 2020. The College's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2022, the College's proportion was 0.04493% which was a decrease of 0.00023% points from its proportion measured as of September 30, 2021 of 0.04516%.

For the year ended June 30, 2023, the College recognized a reduction to OPEB expense of \$527,618. At June 30, 2023, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

2023	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ -	\$ 1,864,097	\$ (1,864,097)
Changes in assumptions	848,318	69,075	779,243
Net difference between projected and actual earnings on OPEB plan investments	74,386	-	74,386
Changes in propor. on and differences between employer contributions and proportionate share of contributions	14,879	530,239	(515,360)
	<u>937,583</u>	<u>2,463,411</u>	<u>(1,525,828)</u>
College contributions subsequent to the measurement date	294,291	-	294,291
Total	<u>\$ 1,231,874</u>	<u>\$ 2,463,411</u>	<u>\$ (1,231,537)</u>

BAY DE NOC COMMUNITY COLLEGE

Notes to Financial Statements

The amount reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Amount
2024	\$ (524,370)
2025	(481,805)
2026	(411,149)
2027	(79,020)
2028	(28,639)
Thereafter	<u>(845)</u>
Total	<u>\$ (1,525,828)</u>

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

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

BAY DE NOC COMMUNITY COLLEGE

Notes to Financial Statements

Actuarial Assumptions

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

The total pension and OPEB liabilities in the September 30, 2021 and 2020 actuarial valuation (for the fiscal years ended June 30, 2023 and 2022, respectively) were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age, normal
Wage inflation	2.75%
Investment rate of return	
MIP and Basic plans (non-hybrid)	6.00% (6.80% in 2020)
Pension Plus plan (hybrid)	6.00% (6.80% in 2020)
Pension Plus 2 plan (hybrid)	6.00%
OPEB plans	6.00% (6.95% in 2020)
Projected salary increases	2.75% - 11.55%, including wage inflation at 2.75%
Cost of living adjustments	3% annual non-compounded for MIP members
Healthcare cost trend	Pre-65: 7.75% Year 1 graded to 3.5% Year 15; 3.0% Year 120 Post-65: 5.25% Year 1 graded to 3.5% Year 15; 3.0% Year 120
Mortality	RP-2014 Male and Female Employee Annuitant Mortality Tables, adjusted for mortality improvements using projection scale MP-2017 from 2006. For retirees, the tables were scaled by 82% for males and 78% for females. For active members, 100% of the table rates were used for both males and females.
Other OPEB assumptions:	
Opt out assumptions	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt-out of the retiree health plan.
Survivor coverage	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death.
Coverage election at retirement	75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2018 valuation. The total pension and OPEB liabilities as of September 30, 2022, are based on the results of an actuarial valuation date of September 30, 2021, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for pension liabilities is 4.3922 years which is the average of the expected remaining service lives of all employees. The recognition period for OPEB liabilities is 6.2250 years which is the average of the expected remaining service lives of all employees. The recognition period for assets is 5 years.

BAY DE NOC COMMUNITY COLLEGE

Notes to Financial Statements

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2018 valuation. The total pension and OPEB liabilities as of September 30, 2021, are based on the results of an actuarial valuation date of September 30, 2020, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for pension liabilities is 4.4367 years which is the average of the expected remaining service lives of all employees. The recognition period for OPEB liabilities is 6.1312 years which is the average of the expected remaining service lives of all employees. The recognition period for assets is 5 years.

Changes in assumptions - September 30, 2021 Valuation. The payroll growth assumption for amortization purposes used in determining the fiscal year 2024 employer contributions decreased from 2.5% to 2.0%. Additionally, the discount rate used in the September 30, 2021 actuarial valuation decreased to 6.00% for the MIP and Basic plans, 6.00% for the Pension Plus Plan, and 6.00% for OPEB.

Changes in assumptions - September 30, 2020 Valuation. The payroll growth assumption for amortization purposes used in determining the fiscal year 2023 employer contributions decreased from 3.0% to 2.5%. The healthcare cost trend rate used in the September 30, 2020 actuarial valuation increased to 7.75%.

Long-Term Expected Return on Pension Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2022 and 2021, are summarized in the following tables:

2022	Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
	Domestic equity pools	25.00%	4.77%	1.19%
	Private equity pools	16.00%	8.13%	1.30%
	International equity pools	15.00%	6.26%	0.94%
	Fixed income pools	13.00%	-0.19%	-0.02%
	Real estate and infrastructure pools	10.00%	4.95%	0.50%
	Absolute return pools	9.00%	2.52%	0.23%
	Real return/opportunistic pools	10.00%	5.42%	0.54%
	Short-term investment pools	2.00%	-0.47%	-0.01%
		100.00%		4.67%
	Inflation			2.20%
	Risk adjustment			-0.87%
	Investment rate of return			6.00%

BAY DE NOC COMMUNITY COLLEGE

Notes to Financial Statements

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

Long-Term Expected Return on OPEB Plan Assets

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2022 and 2021, are summarized in the following tables:

BAY DE NOC COMMUNITY COLLEGE

Notes to Financial Statements

2022	Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
	Domestic equity pools	25.00%	4.77%	1.19%
	Private equity pools	16.00%	8.13%	1.30%
	International equity pools	15.00%	6.26%	0.94%
	Fixed income pools	13.00%	-0.19%	-0.02%
	Real estate and infrastructure pools	10.00%	4.95%	0.50%
	Absolute return pools	9.00%	2.52%	0.23%
	Real return/opportunistic pools	10.00%	5.42%	0.54%
	Short-term investment pools	2.00%	-0.47%	-0.01%
		100.00%		4.67%
	Inflation			2.20%
	Risk adjustment			-0.87%
	Investment rate of return			6.00%

2021	Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
	Domestic equity pools	25.00%	5.09%	1.27%
	Private equity pools	16.00%	8.58%	1.37%
	International equity pools	15.00%	7.08%	1.06%
	Fixed income pools	10.50%	-0.73%	-0.08%
	Real estate and infrastructure pools	10.00%	5.12%	0.51%
	Absolute return pools	9.00%	2.42%	0.22%
	Real return/opportunistic pools	12.50%	5.73%	0.72%
	Short-term investment pools	2.00%	-1.29%	-0.03%
		100.00%		5.04%
	Inflation			2.00%
	Risk adjustment			-0.09%
	Investment rate of return			6.95%

BAY DE NOC COMMUNITY COLLEGE

Notes to Financial Statements

Rate of Return

For the fiscal year ended September 30, 2022, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was -4.18% and -4.99%, respectively. For the fiscal year ended September 30, 2021, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 27.30% and 27.14%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

For the fiscal year ended September 30, 2022, a discount rate of 6.00% was used to measure the total pension and OPEB liabilities. This discount rate was based on the long-term expected rate of return on pension and OPEB plan investments of 6.00%. The projection of cash flows used to determine these discount rates assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension and OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension and OPEB liabilities.

For the fiscal year ended September 30, 2021, a discount rate of 6.80% was used to measure the total pension liability (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan, both of which are hybrid plans provided through non-university employers only) and a discount rate of 6.95% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on pension and OPEB plan investments of 6.80% (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan) and 6.95%, respectively. The projection of cash flows used to determine these discount rates assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension and OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension and OPEB liabilities.

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

The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 6.00%, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher as of June 30, 2023:

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
College's proportionate share of the net pension liability	\$ 21,896,016	\$ 16,592,561	\$ 12,222,275

BAY DE NOC COMMUNITY COLLEGE

Notes to Financial Statements

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

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

The following presents the College's proportionate share of the net OPEB liability calculated using the discount rate of 6.00%, as well as what the College's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher as of June 30, 2023:

1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
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College's proportionate share of the net OPEB liability	\$ 1,596,454	\$ 951,741	\$ 408,813
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The following presents the College's proportionate share of the net OPEB liability calculated using the discount rate of 6.95%, as well as what the College's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher as of June 30, 2022:

1% Decrease (5.95%)	Current Discount Rate (6.95%)	1% Increase (7.95%)
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College's proportionate share of the net OPEB liability	\$ 1,281,000	\$ 689,384	\$ 187,313
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BAY DE NOC COMMUNITY COLLEGE

Notes to Financial Statements

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

The following presents the College's proportionate share of the net OPEB liability calculated using the assumed trend rates, as well as what the College's proportionate share of the net OPEB liability would be if it were calculated using a trend rate that is 1 percentage point lower or 1 percentage higher as of June 30, 2023:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
College's proportionate share of the net OPEB liability	\$ 398,544	\$ 951,741	\$ 1,572,716

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

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

Pension and OPEB Plans Fiduciary Net Position

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

Payable to the Pension Plan

As of June 30, 2023, the College reported a payable of \$193,577 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2023. At June 30, 2022, the College reported a payable of \$173,444 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2022.

Payable to the OPEB Plan

At June 30, 2023, the College reported a payable of \$24,869 for the outstanding amount of OPEB contributions to the Plan required for the year ended June 30, 2023. At June 30, 2022, the College reported a payable of \$22,952 for the outstanding amount of OPEB contributions to the Plan required for the year ended June 30, 2022.

BAY DE NOC COMMUNITY COLLEGE

Notes to Financial Statements

Defined Contribution Plan

Effective July 1, 1988, the College adopted a defined contribution retirement plan for qualified employees. Full-time faculty, administrators, and other exempt-status employees can elect to participate in the Bay de Noc Community College Optional Retirement Plan (the "Optional Plan"), a defined contribution plan administered by the College. New employees can elect to participate in either the Optional Plan or MPSERS. Employees electing the Optional Plan who are members of MPSERS retain a limited membership in MPSERS. As of June 30, 2023 and 2022, the Optional Plan had 73 and 75 active participants, respectively, and 95 and 90 participants with account balances, respectively.

The College is required to contribute 12 to 25.36 percent of participating employees' salaries to the Optional Plan. Plan contributions are placed in a segregated employee account that the employee may allocate to the various funding vehicles permitted by the Optional Plan. All contributions are fully vested when made. Total contributions for the years ended June 30, 2023 and 2022 were \$709,602 and \$662,862, respectively.

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

Longevity Benefit Payments

Full-time Faculty

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

Administrative Staff

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

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

BAY DE NOC COMMUNITY COLLEGE

Notes to Financial Statements

The College records a liability for these benefits over the period earned by the employees based on the likelihood that a benefit will be paid out upon retirement or termination from the College. This plan is funded by the College on a pay-as-you-go basis. The College has elected to calculate the liability using a 5% discount rate applied to the benefit amount. The total liability for these benefits was approximately \$514,000 and \$484,000 at June 30, 2023 and 2022, respectively. The College recognized expenses associated with these longevity incentives of approximately \$31,000 and \$11,000 for the years ended June 30, 2023 and 2022, respectively.

7. COMPENSATED ABSENCES

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

Vacation

In general, employees may accumulate no more than 240 hours of vacation. Upon termination, employees are entitled to payment, at their current rate, of 100% of their accumulated vacation days up to the maximum of 240 hours. The College records this liability at 100% of the accumulated benefits since the accumulation is based upon past employee service and is fully vested. The total liability recorded for accrued vacation time is approximately \$302,000 and \$321,000 at June 30, 2023 and 2022, respectively.

Sick Leave

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

8. VOLUNTARY TERMINATION BENEFITS

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

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

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

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

BAY DE NOC COMMUNITY COLLEGE

Notes to Financial Statements

Employee Severance Plan

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

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

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

Participants receive the total ESP benefit over five years, divided into sixty equal monthly payments beginning four months following the elected exit date. One employee opted into the plan with an exit date in 2022. The College's liability related to the ESP as of June 30, 2022 was \$29,226 and was paid in full during fiscal year 2023.

9. CONTINGENCIES

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

BAY DE NOC COMMUNITY COLLEGE

Notes to Financial Statements

10. RISK MANAGEMENT

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

11. RELATED PARTY TRANSACTIONS

Aside from those transactions described herein with the Foundation, the College has entered into no related party transactions during fiscal years 2023 and 2022.

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

BAY DE NOC COMMUNITY COLLEGE

Required Supplementary Information

MPSERS Cost-Sharing Multiple-Employer Plans

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

	Year Ended June 30								
	2023	2022	2021	2020	2019	2018	2017	2016	2015
College's proportionate share of the net pension liability	\$ 16,592,561	\$ 11,323,723	\$ 17,889,586	\$ 18,602,589	\$ 17,153,428	\$ 14,544,692	\$ 14,566,191	\$ 15,132,181	\$ 14,328,240
College's proportion of the net pension liability	0.04412%	0.04783%	0.05208%	0.05617%	0.05706%	0.05613%	0.05838%	0.06195%	0.06505%
College's covered payroll	\$ 4,408,138	\$ 4,122,796	\$ 4,388,155	\$ 4,759,426	\$ 4,943,153	\$ 4,755,418	\$ 4,725,908	\$ 5,281,871	\$ 5,545,682
College's proportionate share of the net pension liability as a percentage of its covered payroll	376.41%	274.66%	407.68%	390.86%	347.01%	305.86%	308.22%	286.49%	258.37%
Plan fiduciary net position as a percentage of the total pension liability	60.77%	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

See notes to required supplementary information.

BAY DE NOC COMMUNITY COLLEGE

Required Supplementary Information

MPSERS Cost-Sharing Multiple-Employer Plans Schedule of the College's Pension Contributions

	Year Ended June 30								
	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 2,039,868	\$ 1,458,211	\$ 1,448,806	\$ 1,437,448	\$ 1,499,514	\$ 1,486,300	\$ 1,313,933	\$ 1,339,523	\$ 1,618,883
Contributions in relation to the statutorily required contributions	<u>(2,039,868)</u>	<u>(1,458,211)</u>	<u>(1,448,806)</u>	<u>(1,437,448)</u>	<u>(1,499,514)</u>	<u>(1,486,300)</u>	<u>(1,313,933)</u>	<u>(1,339,523)</u>	<u>(1,618,883)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll	\$ 4,568,470	\$ 4,183,202	\$ 4,222,465	\$ 4,452,819	\$ 4,817,541	\$ 5,108,698	\$ 4,522,320	\$ 4,631,719	\$ 5,575,178
Contributions as a percentage of covered payroll	44.65%	34.86%	34.31%	32.28%	31.13%	29.09%	29.05%	28.92%	29.04%

See notes to required supplementary information.

BAY DE NOC COMMUNITY COLLEGE

Required Supplementary Information

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

	Year Ended June 30					
	2023	2022	2021	2020	2019	2018
College's proportionate share of the net OPEB liability	\$ 951,741	\$ 689,384	\$ 2,637,854	\$ 3,885,061	\$ 4,588,711	\$ 4,995,027
College's proportion of the net OPEB liability	0.04493%	0.04516%	0.04924%	0.05413%	0.05773%	0.05641%
College's covered payroll	\$ 4,408,138	\$ 4,122,796	\$ 4,388,155	\$ 4,759,426	\$ 4,943,153	\$ 4,755,418
College's proportionate share of the net OPEB liability as a percentage of its covered payroll	21.59%	16.72%	60.11%	81.63%	92.83%	105.04%
Plan fiduciary net position as a percentage of the total OPEB liability	83.09%	87.33%	59.44%	48.46%	42.95%	36.39%

See notes to required supplementary information.

BAY DE NOC COMMUNITY COLLEGE

Required Supplementary Information

MPSERS Cost-Sharing Multiple-Employer Plans

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

	Year Ended June 30					
	2023	2022	2021	2020	2019	2018
Statutorily required contribution	\$ 354,283	\$ 326,785	\$ 339,860	\$ 352,249	\$ 373,447	\$ 367,053
Contributions in relation to the statutorily required contribution	<u>(354,283)</u>	<u>(326,785)</u>	<u>(339,860)</u>	<u>(352,249)</u>	<u>(373,447)</u>	<u>(367,053)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll	\$ 4,568,470	\$ 4,183,202	\$ 4,222,465	\$ 4,452,819	\$ 4,817,541	\$ 5,108,698
Contributions as a percentage of covered payroll	7.75%	7.81%	8.05%	7.91%	7.75%	7.18%

See notes to required supplementary information.

BAY DE NOC COMMUNITY COLLEGE

Notes to Required Supplementary Information

Pension Information

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

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

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

- 2023 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2024 employer contributions decreased from 2.5% to 2.0%. Additionally, the discount rate used in the September 30, 2021 actuarial valuation decreased to 6.00% for the MIP and Basic plans, and 6.00% for the Pension Plus Plan.
- 2022 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2023 employer contributions decreased from 3.0% to 2.5%.
- 2021 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2022 employer contributions decreased from 3.5% to 3.0%.
- 2020 - The discount rate used in the September 30, 2018 actuarial valuation decreased to 6.80% for the MIP and Basic plans, 6.80% for the Pension Plus Plan, and 6.00% for the Pension Plus 2 Plan.
- 2019 - The discount rate used in the September 30, 2017 actuarial valuation decreased to 7.05% for the MIP and Basic plans, 7.00% for the Pension Plus plan, and 6.00% for the Pension Plus 2 Plan.
- 2018 - The discount rate used in the September 30, 2016 actuarial valuation decreased to 7.50% for the MIP and Basic plans and 7.00% for the Pension Plus Plan.

OPEB Information

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

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

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

- 2023 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2024 employer contributions decreased from 2.5% to 2.0%. Additionally, the discount rate used in the September 30, 2021 actuarial valuation decreased to 6.00%.
- 2022 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2023 employer contributions decreased from 3.0% to 2.5%. The healthcare cost trend rate used in the September 30, 2020 actuarial valuation increased to 7.75%.
- 2021 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2022 employer contributions decreased from 3.5% to 3.0%. The healthcare cost trend rate used in the September 30, 2019 actuarial valuation decreased to 7.0%.
- 2020 - The discount rate used in the September 30, 2018 actuarial valuation decreased to 6.95%.
- 2019 - The discount rate used in the September 30, 2017 actuarial valuation decreased to 7.15%.

SUPPLEMENTARY INFORMATION

BAY DE NOC COMMUNITY COLLEGE

Combining Statement of Net Position

June 30, 2023 (Unaudited)
(with comparative totals for 2022)

	General Fund	Auxiliary Fund	Pension and OPEB Liability Fund	Plant Fund	Agency Fund	Restricted Fund	Combined Total June 30, 2023	Combined Total June 30, 2022
Assets								
Current assets								
Cash and cash equivalents	\$ 3,376,836	\$ -	\$ -	\$ -	\$ -	\$ 3,946,513	\$ 7,323,349	\$ 5,658,278
Cash-restricted for capital improvements	-	-	-	749,632	-	-	749,632	1,248,020
Student receivables, net	109,634	-	-	-	-	-	109,634	82,061
State appropriations receivable	1,129,956	-	123,930	-	-	-	1,253,886	1,205,207
Grants receivable	-	-	-	-	-	186,141	186,141	890,820
Due from (to) component unit	15,347,144	1,519,760	-	(13,240,312)	102,514	(3,656,810)	72,296	143,718
Other receivables, net	207,047	-	-	-	-	-	207,047	344,788
Prepays and other current assets	664,323	-	-	-	-	-	664,323	681,530
Total current assets	20,834,940	1,519,760	123,930	(12,490,680)	102,514	475,844	10,566,308	10,254,422
Noncurrent assets								
Cash-restricted for debt repayment	-	-	-	662,307	-	-	662,307	662,307
Capital assets not being depreciated	-	-	-	2,079,728	-	-	2,079,728	3,196,328
Capital assets being depreciated, net	-	-	-	29,927,606	-	-	29,927,606	29,101,242
Total noncurrent assets	-	-	-	32,669,641	-	-	32,669,641	32,959,877
Total assets	20,834,940	1,519,760	123,930	20,178,961	102,514	475,844	43,235,949	43,214,299
Deferred outflows of resources								
Deferred pension amounts	-	-	4,952,082	-	-	-	4,952,082	2,239,262
Deferred OPEB amounts	-	-	1,231,874	-	-	-	1,231,874	881,103
Total deferred outflows of resources	-	-	6,183,956	-	-	-	6,183,956	3,120,365
Liabilities								
Current liabilities								
Accounts payable	271,098	-	123,930	-	-	-	395,028	352,161
Accrued payroll and related liabilities	1,268,210	-	-	-	-	-	1,268,210	1,266,562
Unearned revenue	343,440	-	-	-	-	99,673	443,113	331,021
Interest payable	-	-	-	43,070	-	-	43,070	47,441
Other current liabilities	191,539	15,150	-	-	102,514	-	309,203	355,149
Current portion of accrued employee benefits payable	-	-	-	-	-	-	-	29,226
Current portion of long-term debt	-	-	-	1,136,006	-	-	1,136,006	1,096,026
Total current liabilities	2,074,287	15,150	123,930	1,179,076	102,514	99,673	3,594,630	3,477,586
Noncurrent liabilities								
Long-term debt, net of current portion	-	-	-	11,312,070	-	-	11,312,070	12,448,338
Accrued employee benefits payable, net of current portion	513,589	-	-	-	-	-	513,589	483,503
Net pension liability	-	-	16,592,561	-	-	-	16,592,561	11,323,723
Net OPEB liability	-	-	951,741	-	-	-	951,741	689,384
Total noncurrent liabilities	513,589	-	17,544,302	11,312,070	-	-	29,369,961	24,944,948
Total liabilities	2,587,876	15,150	17,668,232	12,491,146	102,514	99,673	32,964,591	28,422,534
Deferred inflows of resources								
Deferred pension amounts	-	-	3,210,143	-	-	-	3,210,143	6,096,190
Deferred OPEB amounts	-	-	2,463,411	-	-	-	2,463,411	3,256,853
Total deferred inflows of resources	-	-	5,673,554	-	-	-	5,673,554	9,353,043
Net position								
Net investment in capital assets	-	-	-	20,134,802	-	-	20,134,802	19,913,855
Restricted	-	-	-	662,307	-	376,171	1,038,478	662,307
Unrestricted (deficit)	18,247,064	1,504,610	(17,033,900)	(13,109,294)	-	-	(10,391,520)	(12,017,075)
Total net position	\$ 18,247,064	\$ 1,504,610	\$ (17,033,900)	\$ 7,687,815	\$ -	\$ 376,171	\$ 10,781,760	\$ 8,559,087

BAY DE NOC COMMUNITY COLLEGE

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

Year Ended June 30, 2023 (Unaudited)

(with comparative totals for 2022)

	General Fund	Auxiliary Fund	Pension and OPEB Liability Fund	Plant Fund	Restricted Fund	Subtotal	Eliminations	Combined Total June 30, 2023	Combined Total June 30, 2022
Operating revenues									
Tuition and fees, net	\$ 9,178,415	\$ -	\$ -	\$ -	\$ -	\$ 9,178,415	\$ (2,100,736)	\$ 7,077,679	\$ 6,002,991
Federal grants and contracts	-	-	-	-	757,748	757,748	-	757,748	659,433
State and local grants and contracts	-	-	-	-	191,498	191,498	-	191,498	50,667
Sales and service of auxiliary activities, net	48,651	385,477	-	-	-	434,128	(87,905)	346,223	261,893
Other operating revenues	349,499	-	-	-	-	349,499	-	349,499	251,986
Total operating revenues	9,576,565	385,477	-	-	949,246	10,911,288	(2,188,641)	8,722,647	7,226,970
Operating expenses									
Instruction	9,000,249	-	(1,792,764)	(78,109)	1,696,221	8,825,597	-	8,825,597	7,898,248
Public service	160,388	-	(22,109)	-	-	138,279	-	138,279	132,593
Instructional support	1,779,471	-	(91,258)	-	32,619	1,720,832	-	1,720,832	1,673,390
Student services	3,381,761	-	(92,327)	-	2,672,313	5,961,747	(2,188,641)	3,773,106	4,343,010
Institutional administration	2,275,084	-	(203,644)	2,500	-	2,073,940	-	2,073,940	1,465,311
Operations and maintenance of plant	1,946,144	181,221	(148,408)	-	-	1,978,957	-	1,978,957	2,345,060
Information technology	1,700,241	-	(51,526)	-	-	1,648,715	-	1,648,715	1,599,689
Depreciation	-	-	-	2,411,382	-	2,411,382	-	2,411,382	2,227,168
Total operating expenses	20,243,338	181,221	(2,402,036)	2,335,773	4,401,153	24,759,449	(2,188,641)	22,570,808	21,684,469
Operating (loss) income	(10,666,773)	204,256	2,402,036	(2,335,773)	(3,451,907)	(13,848,161)	-	(13,848,161)	(14,457,499)
Nonoperating revenues (expenses)									
State appropriations	7,818,523	-	(1,190,151)	-	-	6,628,372	-	6,628,372	6,823,030
Property tax levy	3,051,298	-	-	1,322,282	-	4,373,580	-	4,373,580	4,047,276
Property taxes from Dickinson County	1,199,601	-	-	-	-	1,199,601	-	1,199,601	1,146,900
Federal Pell grants	-	-	-	-	2,346,623	2,346,623	-	2,346,623	2,412,923
Federal Higher Education Emergency Relief Funds grant	(377,387)	-	-	-	1,323,736	946,349	-	946,349	2,819,689
Support from component unit	585,439	-	-	59,528	-	644,967	-	644,967	605,213
Private gifts, grants and contracts	69,397	-	-	194,700	-	264,097	-	264,097	209,708
Contributions to the YMCA	-	-	-	-	-	-	-	-	(620,000)
Interest income	102,221	-	-	19,905	-	122,126	-	122,126	72,632
Loss on disposal of capital assets	-	-	-	(71,221)	-	(71,221)	-	(71,221)	(5,296)
Interest on capital asset-related debt	-	-	-	(383,660)	-	(383,660)	-	(383,660)	(412,605)
Net nonoperating revenues	12,449,092	-	(1,190,151)	1,141,534	3,670,359	16,070,834	-	16,070,834	17,099,470
Increase (decrease) in net position before transfers	1,782,319	204,256	1,211,885	(1,194,239)	218,452	2,222,673	-	2,222,673	2,641,971
Transfers (out) in	(157,719)	-	-	-	157,719	-	-	-	-
Increase (decrease) in net position	1,624,600	204,256	1,211,885	(1,194,239)	376,171	2,222,673	-	2,222,673	2,641,971
Net position (deficit), beginning of year	16,622,464	1,300,354	(18,245,785)	8,882,054	-	8,559,087	-	8,559,087	5,917,116
Net position (deficit), end of year	\$ 18,247,064	\$ 1,504,610	\$ (17,033,900)	\$ 7,687,815	\$ 376,171	\$ 10,781,760	\$ -	\$ 10,781,760	\$ 8,559,087

BAY DE NOC COMMUNITY COLLEGE

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

(Unaudited)

	Year Ended June 30	
	2023	2022
Operating revenues		
Tuition and fees	\$ 1,972,029	\$ 2,269,791
Federal grants and contracts	9,930	9,735
Non-credit and contracts	129,967	83,927
Scholarship allowance	(6,390)	(2,691)
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Net tuition and fees	2,105,536	2,360,762
Other operating revenue	5,745	5,217
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Total operating revenues	2,111,281	2,365,979
Operating expenses		
Salary and wages	1,518,428	1,423,223
Benefits	652,770	637,080
Advertising and professional services	226,130	215,611
Supplies and materials	102,234	110,934
Rent, utilities and insurance	151,426	163,436
Travel, professional development, and other operating expenses	66,491	75,194
Capital under \$5,000 and grant capital	28,247	9,761
Depreciation	383,693	383,801
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Total operating expenses	3,129,419	3,019,040
Operating loss	(1,018,138)	(653,061)
Nonoperating revenues (expenses)		
General administration (5% of total expenses)	(156,471)	(150,952)
Property taxes from Dickinson County	1,199,601	1,146,900
Interest on capital asset-related debt	(65,496)	(78,154)
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Net nonoperating revenues	977,634	917,794
(Decrease) increase in net position	(40,504)	264,733
Net position, beginning of year	2,685,627	2,420,894
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Net position, end of year	\$ 2,645,123	\$ 2,685,627