

Bay de Noc
Community
College



Years Ended
June 30, 2013
and 2012

Financial
Statements
and
Supplementary
Information

BAY DE NOC COMMUNITY COLLEGE

TABLE OF CONTENTS	PAGE
Management's Discussion and Analysis	1-9
Independent Auditors' Report	10-11
Financial Statements for the Years Ended June 30, 2013 and 2012	
Statements of Net Position	12
Statements of Revenues, Expenses and Changes in Net Position	13
Statements of Cash Flows	14-15
Discretely Presented Component Unit—Foundation:	
Statements of Financial Position	16
Statements of Activities	17
Notes to Financial Statements	18-30
Supplementary Information for the Year Ended June 30, 2013	
Combining Statement of Net Position	31
Combining Statement of Revenues, Expenses, Transfers and Changes in Net Position	32
West Campus—Statements of Revenues, Expenses, and Changes in Net Position	33

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

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 year ended June 30, 2013. Management has prepared the financial statements and the related footnote disclosures 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 the following standards.

In November 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, as amended by GASB 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which applies these standards to public colleges and universities. The State of Michigan has adopted these standards and has revised and issued the *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, and notes to financial statements. Following the basic financial statements and footnotes are three supplementary schedules, the combining statement of net position, the combining statement of revenue, expenses, transfers and changes in net position, and the West Campus statements 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 these statements, the *Bay de Noc Community College Foundation* ("the Foundation") is reported as a component unit of the College and its financial activity is discretely reported herein.

Financial Highlights

For the year ended June 30, 2013, the College recorded total operating revenues of \$7.4 million and total operating expenses of \$22.7 million. The difference produced an operating loss of \$15.3 million. Net nonoperating revenue of \$16.3 million offset this loss and resulted in an overall increase in net position of \$1.0 million.

Fiscal year 2013 had a decrease in operating revenue, primarily in tuition and grant revenue, but had an increase in nonoperating revenue from state appropriations, property taxes, and gift revenue from the Foundation. Operating expenses were 7.53% or \$1.8 million less than fiscal 2012. The reduction in expenses was driven from decreases in grant expenses, adjunct faculty wages, energy costs, and payroll and retirement compensation accruals.

BAY DE NOC COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

Statements of Net Position

The statements of net position include all assets and liabilities 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 statements of net position present the financial position of the College at June 30, 2013 and 2012.

Net position as of June 30 (in thousands)

	<u>2013</u>	<u>2012</u>
Current assets	\$ 5,927	\$ 5,424
Noncurrent assets	27,479	28,069
Total assets	<u>33,406</u>	<u>33,493</u>
Current liabilities	3,383	3,152
Noncurrent liabilities	5,781	7,114
Total liabilities	<u>9,164</u>	<u>10,266</u>
Net investment in capital assets	21,094	20,492
Unrestricted	3,148	2,735
Total net position	<u>\$ 24,242</u>	<u>\$ 23,227</u>

Changes from 2012 to 2013:

Current assets consist of cash and cash equivalents, receivables, and prepaid expenses. Current assets totaled \$5.9 million at June 30, 2013 as compared to \$5.4 million at June 30, 2012. Significant changes include the following:

- Cash and cash equivalents increased by \$218,000 due to increases in state appropriations, gift revenue, and other revenue with a reduction in operating expenses.
- State appropriation receivables increased by \$137,000 due to a 2.4% increase in state appropriations from 2012 to 2013.
- Other receivables increased by \$151,000 as delinquent taxes for 2013 were not received until fiscal year 2014, while delinquent property taxes for 2012 were received in 2012.
- Prepaid expenses increased by \$169,000 due to management's accrual of prepaid software licensure fees in fiscal year 2013. These fees were expensed in 2012.
- Student receivables decreased \$120,000 due to an increase in the allowance for bad debt and a 3% decrease in spring enrollment.

Noncurrent assets consist of capital assets. Noncurrent assets totaled \$27.5 million at June 30, 2013 and \$28.1 million at June 30, 2012. Capital asset additions for FY 2013 were \$1.4 million compared to \$1.0 million in FY 2012. Investment in capital primarily included building and equipment for the Escanaba and Bay West nursing simulation labs, information technology equipment, and pavement, sidewalks and other infrastructure improvements.

BAY DE NOC COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

Current liabilities consist of accounts payable, accrued expenses, unearned revenue, and current portion of long-term debt obligations due within the next fiscal year. Current liabilities were \$3.4 million at June 30, 2013 compared to \$3.1 million at June 30, 2012. Most of this increase was in accrued salaries and wages offset by a decrease in the energy loan due to the State.

Noncurrent liabilities consist of long-term debt, for which the principal is due in more than one year and deferred retirement benefits. Long-term debt decreased by \$1.1 million due to regular payments. Retirement benefits decreased by \$194,000 due to changes in assumptions used to calculate the liability.

Net position increased by \$1,015,278.

Statements of Revenues, 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 (in thousands)

	<u>2013</u>	<u>2012</u>
Total operating revenues	\$ 7,371	\$ 8,025
Total operating expenses	<u>22,657</u>	<u>24,501</u>
Operating loss	(15,286)	(16,476)
Net nonoperating revenues	<u>16,301</u>	<u>16,010</u>
Increase (decrease) in net position	1,015	(466)
Net position - beginning of year	<u>23,227</u>	<u>23,693</u>
Net position - end of year	<u>\$24,242</u>	<u>\$23,227</u>

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

Operating revenues (in thousands)

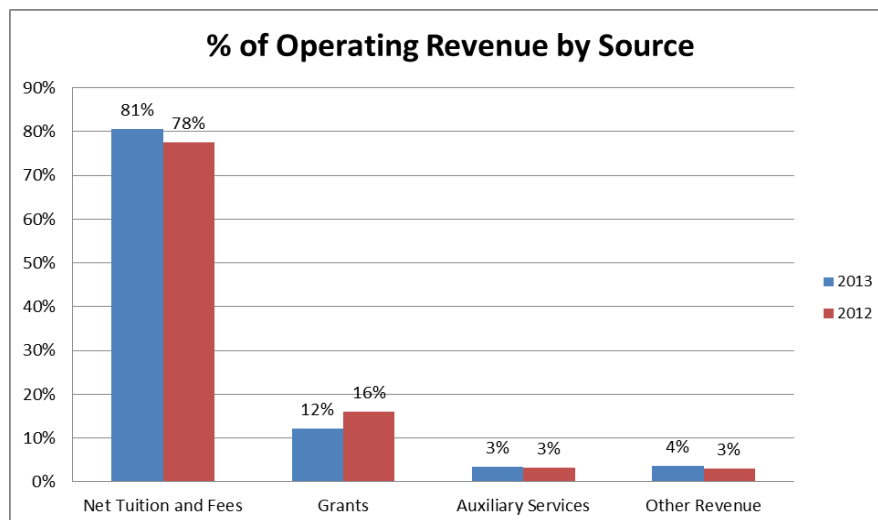
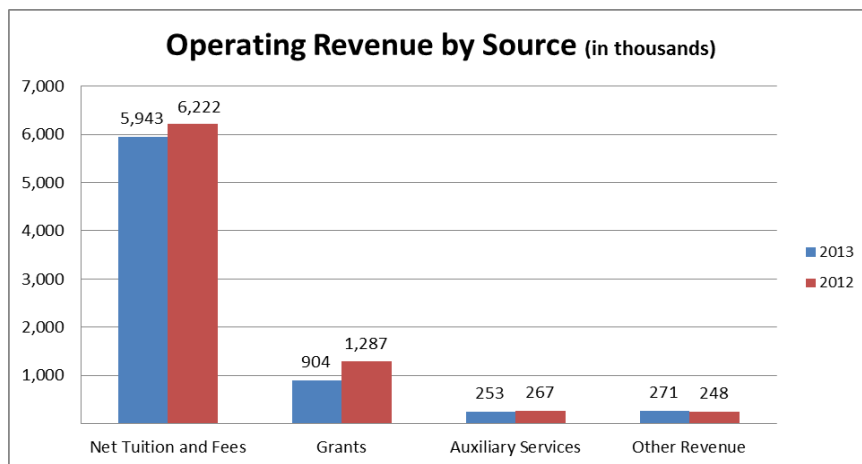
	<u>2013</u>	<u>2012</u>
Net tuition and fees	\$5,943	\$6,222
Grants	904	1,287
Auxiliary services	253	267
Other operating revenues	<u>271</u>	<u>249</u>
Total operating revenues	<u>\$7,371</u>	<u>\$8,419</u>

BAY DE NOC COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

Operating revenues decrease from 2012 to 2013 as a result of the following factors:

- Tuition and fee revenue from both credit and noncredit courses decreased by \$279,000 due to a 9% decrease in enrollment.
- Total grant funding decreased by \$383,000 due to the reduction of grant funding in future years for multi-year grants. Federal grants consist primarily of awards in the form of Title III, TRIO, and Perkins. The Perkins Curriculum Development grant in the amount of \$218,000 was completed in 2012.
- Auxiliary and sales and service revenue, which consists primarily of student housing and bookstore administration fees decreased by \$15,000.



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, gifts, and investment income.

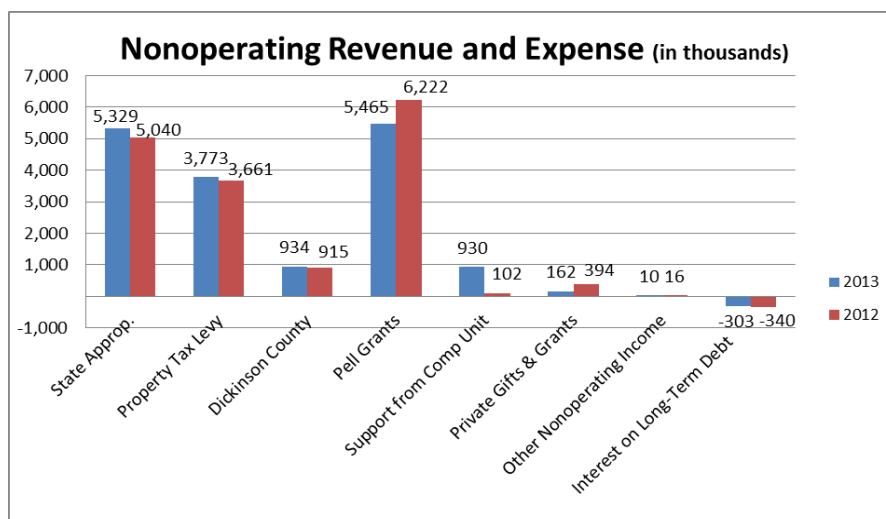
Nonoperating revenues included the following for the years ended June 30:

Nonoperating revenues (expenses) (in thousands)

	2013	2012
State appropriations	\$5,329	\$5,040
Property tax levy	3,773	3,661
Property taxes from Dickinson County	934	915
Pell grants	5,465	6,222
Support from component unit	930	102
Other nonoperating income	10	16
Interest on capital asset-related debt	(302)	(340)
Net nonoperating revenues	\$16,139	\$15,616

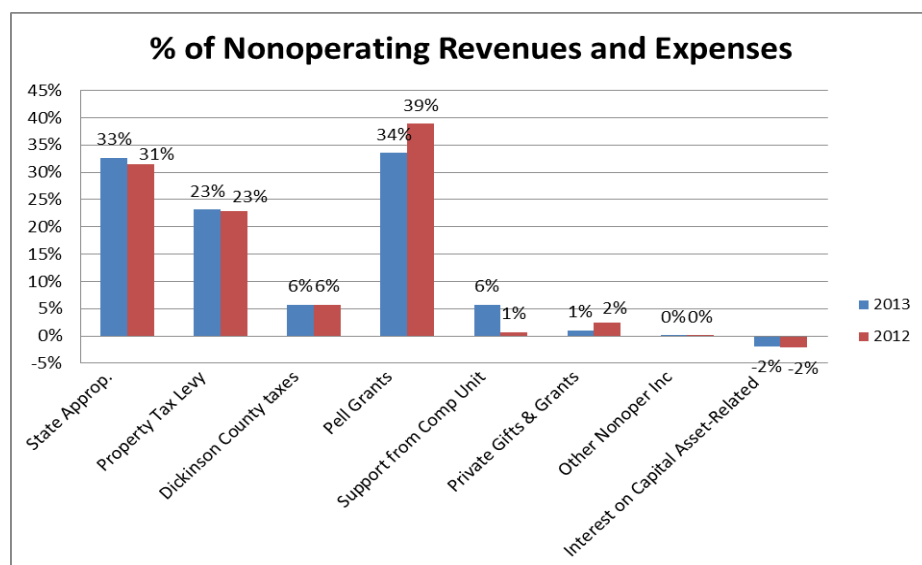
Changes in nonoperating revenues from 2012 to 2013 were a result of the following factors:

- State appropriations increased by \$289,000 due to a 2.4% increase in state appropriations and additional state payments of approximately \$114,000, which was restricted towards the MPSERS liability payments.
- Property tax revenue increased \$132,000 due to a 3.9% increase in taxable value of property.
- Pell grant revenue decreased by \$757,000 due to a 9% decrease in contact hours from 2012 and fewer students receiving Pell in 2013.
- Support from the component unit increased by \$829,000. \$650,000 was given to the College for the Bay West and Escanaba nursing simulation projects and an additional \$180,000 of contribution revenue for scholarships and other projects that were previously only recorded on the Foundation financial statements.



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.

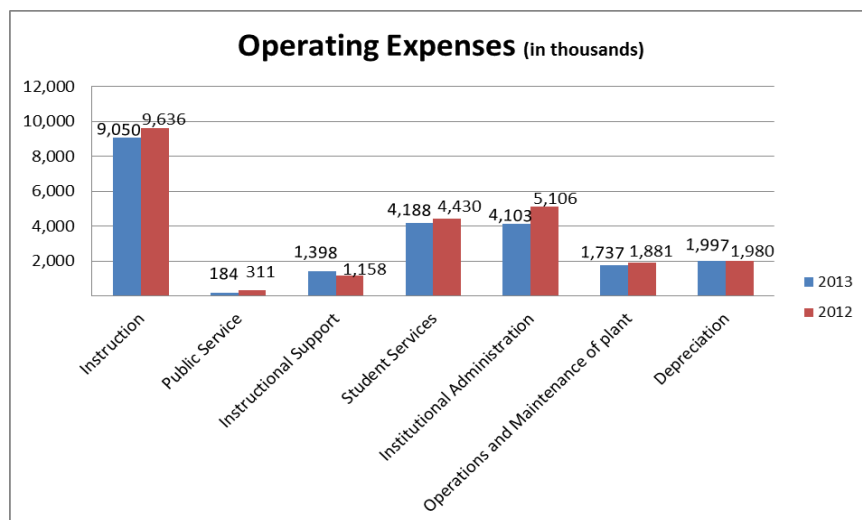
Operating expenses	2013	2012
Instruction	\$ 9,050	\$ 9,636
Public service	184	311
Instructional support	1,398	1,158
Student services	4,188	4,430
Institutional administration	4,103	5,106
Operations and maint. of plant	1,737	1,881
Depreciation	1,997	1,980
Total operating expenses	\$22,657	\$24,502

Operating expenses decreased 7.53% from \$24.5 million to \$22.7 million. Most of this decrease was due to decreases in expenses funded by grants, adjunct wages, and payroll/retirement compensation liabilities.

- Instruction decreased by 6.1% to \$9.0 million. This decrease was due to reduced grant expenses based on the reduced grant funding and decreased adjunct faculty wages due to decreased enrollment.
- Instructional support increased by 20.7% to \$1.4 million. This increase is due to a medical leave and partial-year employment in the Dean's positions in 2012.
- Institutional administration decreased by 19.6% to \$4.1 million. This decrease was due to timing of payroll and changes in the assumptions used for retirement compensation accruals.
- Operations and maintenance of plant decreased by 7.2% to \$1.7 million. This decrease was primarily due to a savings in electricity expenses.

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 are 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 (in thousands)

	<u>2013</u>	<u>2012</u>
Net cash used in operating activities	\$(13,171)	\$(14,149)
Net cash provided by non-capital financing activities	16,282	16,276
Net cash used in capital and related financing activities	(2,902)	(2,418)
Net cash provided by investing activities	<u>9</u>	<u>10</u>
Increase (decrease) in cash and cash equivalents	218	(281)
Cash and cash equivalents at beginning of year	<u>3,426</u>	<u>3,707</u>
Cash and cash equivalents at end of year	<u>\$ 3,644</u>	<u>\$ 3,426</u>

Major sources of funds from operations came from student tuition and fees, grants and contracts. These sources were offset by expenditures for operations such as payments to employees and suppliers. In fiscal year 2013, cash flow from operating was (\$13.0) million, a decrease of \$635,000 from 2012.

BAY DE NOC COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

Increases in gifts and donations, offset by a decrease in Pell grants, resulted in more cash provided by non-capital financing activities. Additional purchases of capital assets for the nursing simulation project resulted in an increase in cash outflows for capital and related financing activities. Increases in tuition, state appropriations, property taxes, gift revenue, and decreases in payments to employees resulted in a \$218,000 increase in cash.

Capital Assets and Debt

As of June 30, 2013 the College had \$27.5 million in capital assets, net of accumulated depreciation. The College purchased \$1.4 million in additional assets and disposed of capital assets totaling \$33,125 in fiscal year 2013. Details of these assets for the past two years are shown below.

	Balance July 1, 2012	Additions	Retirements	Balance June 30, 2013
Capital assets:				
Land improvements	\$ 1,321,225	\$ -	\$ -	\$ 1,321,225
Construction in progress	7,770	606,817	-	614,587
Land improvements	1,291,842	-	-	1,291,842
Infrastructure	99,225	85,633	-	184,858
Building and building improvements	38,810,639	115,421	-	38,926,060
Furniture, fixtures, and equipment	16,471,918	599,130	33,125	17,037,923
Library materials	779,613	-	-	779,613
Vehicles	300,663	-	-	300,663
Total capital assets	<u>59,082,895</u>	<u>1,407,001</u>	<u>33,125</u>	<u>60,456,771</u>
Less accumulated depreciation:				
Land improvements	821,826	86,662	-	908,488
Infrastructure	90,243	12,120	-	102,363
Building and building improvements	14,635,877	1,031,937	-	15,667,824
Furniture, fixtures, and equipment	14,544,371	821,685	33,125	15,332,931
Library materials	725,691	16,349	-	742,040
Vehicles	196,331	27,908	-	224,239
Total accumulated depreciation	<u>31,014,349</u>	<u>1,996,661</u>	<u>33,125</u>	<u>32,977,885</u>
Capital assets, net	<u>\$28,068,546</u>	<u>\$ (589,660)</u>	<u>\$ -</u>	<u>\$27,478,886</u>

Detailed information about the College's long-term debt is presented in the notes to the financial statements.

Economic Factors that will Affect the Future

The State of Michigan's economy has improved from prior years. Automotive reorganization and steps taken by the Governor have stabilized finances. The College received an increase in appropriations from the State for 2013 and expects a 1.8% or \$95,000 increase for 2014. The national debt is expected to also impact funding for college programs and grants. In 2013, the amount of federal grant revenue was reduced or funding was eliminated altogether.

BAY DE NOC COMMUNITY COLLEGE

■ MANAGEMENT'S DISCUSSION AND ANALYSIS

The Board of Trustees continues to balance the needs of the students and the increasing costs of labor, materials and services. The College projected a decrease in student contact hours in 2014 due to decreased Pell funding, market area demographics, and higher employment. The decrease in tuition will be partially offset by reductions in adjunct faculty wages. Property taxes are projected to increase by 4% based on an increase in taxable value from new businesses in Delta County.

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

November 8, 2013

To the Board of Trustees
Bay de Noc Community College
Escanaba, Michigan**Report on the Financial Statements**

We have audited the accompanying 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 year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Independent Auditors' Responsibility

Our responsibility is to express opinions on the 2013 financial statements based on our audit. We did not audit the 2013 financial statements of the Bay de Noc Community College Foundation (the "Foundation"), the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinions, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the discretely presented component unit of **Bay de Noc Community College** as of June 30, 2013, and the respective results of their operations and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Predecessor Auditor

The financial statements of **Bay de Noc Community College** as of June 30, 2012, were audited by other auditors whose report dated October 31, 2012, expressed an unmodified opinion on those statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 8 be presented to supplement the basic financial statements. Such information, 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 audit 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

Our audit was conducted for the purpose of forming opinions on the 2013 financial statements that collectively comprise the College's 2013 basic financial statements. The supplementary information identified in the table of contents is presented for purposes of additional analysis and is not a required part of the basic 2013 financial statements. Such information has not been subjected to the auditing procedures applied in our audit of the 2013 financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued under separate cover our report dated November 8, 2013 on our consideration of **Bay de Noc Community 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 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 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 **Bay de Noc Community College's** internal control over financial reporting and compliance.



FINANCIAL STATEMENTS

BAY DE NOC COMMUNITY COLLEGE

STATEMENTS OF NET POSITION

	June 30	
	2013	2012
Assets		
Current assets		
Cash and cash equivalents	\$ 3,643,876	\$ 3,425,801
Student receivables, net	102,232	222,343
State appropriations receivable	1,053,098	916,402
Grants receivable	232,854	208,701
Due from component unit	97,242	173,527
Other receivables, net	398,965	247,595
Prepaid expenses and other current assets	398,926	229,925
Total current assets	5,927,193	5,424,294
Noncurrent assets		
Capital assets, net	27,478,886	28,068,546
Total assets	33,406,079	33,492,840
Liabilities		
Current liabilities		
Accounts payable	256,157	249,474
Accrued payroll and related liabilities	1,415,577	927,842
Unearned revenue	240,021	211,549
Interest payable	43,891	51,780
Other current liabilities	292,511	274,075
Due to the State	-	252,004
Current portion of long-term debt	1,135,000	1,185,000
Total current liabilities	3,383,157	3,151,724
Noncurrent liabilities		
Long-term debt, net of current portion	5,250,000	6,385,000
Accrued employee benefits payable	530,745	729,217
Total liabilities	9,163,902	10,265,941
Net position		
Net investment in capital assets	21,093,886	20,492,324
Unrestricted	3,148,291	2,734,575
Total net position	\$ 24,242,177	\$ 23,226,899

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	
	2013	2012
Operating revenues		
Tuition and fees	\$ 9,091,547	\$ 9,738,724
Scholarship allowance	(3,148,740)	(3,516,587)
Net tuition and fees	5,942,807	6,222,137
Federal grants and contracts	862,637	1,228,282
State and local grants and contracts	41,733	58,660
Sales and service of auxiliary activities, net of scholarship allowance of \$124,803 (\$94,242 for 2012)	252,720	267,392
Other operating revenues	271,209	248,427
Total operating revenues	7,371,106	8,024,898
Operating expenses		
Instruction	9,050,228	9,635,549
Public service	184,022	311,090
Instructional support	1,398,324	1,158,332
Student services	4,187,771	4,429,738
Institutional administration	4,103,002	5,105,901
Operations and maintenance of plant	1,736,955	1,880,948
Depreciation	1,996,661	1,980,002
Total operating expenses	22,656,963	24,501,560
Operating loss	(15,285,857)	(16,476,662)
Nonoperating revenues (expenses)		
State appropriations	5,329,461	5,040,200
Property tax levy	3,773,349	3,660,957
Property taxes from Dickinson County	933,992	914,682
Pell grants	5,464,891	6,222,269
Support from component unit	930,164	101,658
Private gifts, grants and contracts	162,197	394,438
Investment income	9,221	9,743
Other nonoperating income	600	6,324
Interest on capital asset-related debt	(302,740)	(340,158)
Net nonoperating revenues	16,301,135	16,010,113
Increase (decrease) in net position	1,015,278	(466,549)
Net position - beginning of year	23,226,899	23,693,448
Net position - end of year	\$ 24,242,177	\$ 23,226,899

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

BAY DE NOC COMMUNITY COLLEGE

STATEMENTS OF CASH FLOWS

	Year Ended June 30	
	2013	2012
Cash flows from operating activities		
Tuition and fees	\$ 6,243,788	\$ 6,206,251
Grants and other contracts	727,819	1,316,433
Auxiliary enterprises and other revenue	252,720	267,392
Payments to employees	(9,620,317)	(10,423,698)
Payments to suppliers	(10,913,040)	(11,877,148)
Other	138,275	361,584
Net cash used in operating activities	(13,170,755)	(14,149,186)
Cash flows from noncapital financing activities		
State appropriations	5,192,765	5,065,326
Local property taxes and Dickinson County contract	4,707,341	4,575,639
Pell grants	5,464,891	6,222,269
Federal direct lending receipts	5,623,013	5,680,340
Federal direct lending disbursements	(5,623,013)	(5,680,340)
Gifts and donations	1,168,646	425,999
Payments to the State	(252,004)	(13,588)
Net cash provided by noncapital financing activities	16,281,639	16,275,645
Cash flows from capital and related financing activities		
Purchase of capital assets	(1,407,001)	(960,528)
Principal paid on long-term debt	(1,185,000)	(1,115,000)
Proceeds from sales of capital assets	600	6,324
Interest paid on capital asset-related debt	(310,629)	(348,364)
Net cash used in capital and related financing activities	(2,902,030)	(2,417,568)
Cash flows from investing activities		
Interest received on bank deposits	9,221	9,743
Net increase (decrease) in cash and cash equivalents	218,075	(281,366)
Cash and cash equivalents, beginning of year	3,425,801	3,707,167
Cash and cash equivalents, end of year	\$ 3,643,876	\$ 3,425,801

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

BAY DE NOC COMMUNITY COLLEGE

STATEMENTS OF CASH FLOWS (Concluded)

	Year Ended June 30	
	2013	2012
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (15,285,857)	\$ (16,476,662)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	1,996,661	1,980,002
Change in operating assets and liabilities which provided (used) cash:		
Student receivables	120,111	170,007
Grants receivable	(24,153)	34,625
Other receivables	(151,370)	110,049
Prepaid expenses and other current assets	(169,001)	293,952
Accounts payable	6,683	59,815
Accrued payroll and related liabilities	487,735	(225,981)
Deferred revenue	28,472	(191,027)
Accrued employee benefits payable	(198,472)	92,926
Other liabilities	18,436	3,108
Net cash used in operating activities	<u>\$ (13,170,755)</u>	<u>\$ (14,149,186)</u>

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	
	2013	2012
Assets		
Cash and cash equivalents	\$ 675,794	\$ 1,293,391
Accrued income receivable and other assets	25,352	23,383
Investments	5,839,703	5,165,258
Beneficial interest in trust assets	1,858,556	1,836,464
Total assets	\$ 8,399,405	\$ 8,318,496
Liabilities and Net Assets		
Liabilities		
Accrued expenses	\$ 9,500	\$ 9,500
Due to Bay de Noc Community College	97,242	173,527
Due to William Bonifas Fine Arts Center	828,527	834,342
Total liabilities	935,269	1,017,369
Net assets		
Unrestricted deficit	(419,003)	(541,197)
Temporarily restricted	1,758,752	1,951,333
Permanently restricted	6,124,387	5,890,991
Total net assets	7,464,136	7,301,127
Total liabilities and net assets	\$ 8,399,405	\$ 8,318,496

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

BAY DE NOC COMMUNITY COLLEGE FOUNDATION - Component Unit

STATEMENTS OF ACTIVITIES

	Year Ended June 30	
	2013	2012
Revenue		
Contributions	\$ 581,173	\$ 504,642
Investment income	458,251	107,278
	<u>1,039,424</u>	<u>611,920</u>
Expenses		
Scholarships	218,998	200,297
Administration expenses	9,500	9,500
Campus projects	647,917	93,709
	<u>876,415</u>	<u>303,506</u>
Increase in net assets	163,009	308,414
Net assets, beginning of year	7,301,127	6,992,713
	<u>7,301,127</u>	<u>6,992,713</u>
Net assets, end of year	\$ 7,464,136	\$ 7,301,127
	<u><u>7,464,136</u></u>	<u><u>7,301,127</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.

The accompanying financial statements as of and for the years ended June 30, 2013 and 2012 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 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 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's office at the College.

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. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments* and Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*. 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.

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 prepared on the accrual basis, whereby revenue is recognized when earned, and expenses when the related liabilities are incurred and certain measurement and matching criteria are met, and are generally in accordance with the accounting principles outlined in the State of Michigan Board of Education's *Manual for Uniform Financial Reporting—Michigan Public Community Colleges, 2001*.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles 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

BAY DE NOC COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

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 accounts receivable allowance for bad debts and the assumptions used to estimate the longevity liability.

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.

Accounts Receivable

Accounts receivable resulting from Federal and State grants, State appropriations, and student tuition consist of revenues recorded, but not received as of year-end. An allowance for doubtful accounts 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 other student accounts receivable based on historical loss experience. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation 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 \$128,000 and \$14,000 at June 30, 2013 and 2012, respectively. The bad debt allowance for other receivables was approximately \$350,000 at June 30, 2013 and 2012.

Capital Assets

Capital assets are recorded at cost and include expenditures 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. Management reviews capital assets annually for impairment. The following estimated useful lives are used to compute depreciation:

Buildings/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

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 2013 includes property taxes that were levied on July 1, 2012 and December 1, 2012 and generally collected before March 1, 2013. 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

BAY DE NOC COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

activities, and State appropriations 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 (i.e. Federal Direct Loans), where the College serves only as a conduit.

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.

Operating Expenses

The College reports operating expenses by function on the face of 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:

	2013	2012
Salary and wages	\$ 9,780,950	\$10,445,396
Benefits	4,558,169	4,651,255
Capital under \$5,000	163,785	184,581
Pell, Direct loans, and other scholarships	2,692,198	2,988,543
Professional services	1,108,401	1,407,151
Rent, utilities, and insurance	902,499	985,054
Supplies and materials	576,746	767,448
Travel and professional development	877,554	1,100,014
Depreciation	<u>1,996,661</u>	<u>1,980,002</u>
Total operating expenses	<u>\$22,656,963</u>	<u>\$24,501,560</u>

Net Position

GASB Statement No. 63 reports equity as "net position". Elements of net position are classified according to the external grantor restrictions or availability of assets for satisfaction of College obligations.

Internal Services Activities

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

Reclassification

Certain amounts as reported in the 2012 financial statements have been reclassified to conform with the 2013 presentation.

BAY DE NOC COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

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, 2013 and 2012, the carrying amount of cash deposits at banks for the College totaled \$3,643,876 and \$3,425,801 while the bank balances totaled \$4,075,423 and \$3,701,822, respectively. Of the bank amounts, \$500,000 and \$706,317 was insured and the remaining \$3,575,423 and \$2,995,505 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 assets categories for the year ended June 30, 2013:

	Balance July 1, 2012	Additions	Retirements	Balance June 30, 2013
Capital assets not being depreciated:				
Land	\$ 1,321,225	\$ -	\$ -	\$ 1,321,225
Construction in progress	<u>7,770</u>	<u>606,817</u>	<u>-</u>	<u>614,587</u>
Subtotal nondepreciable capital assets	<u>1,328,995</u>	<u>606,817</u>	<u>-</u>	<u>1,935,812</u>
Capital assets being depreciated:				
Land improvements	1,291,842	-	-	1,291,842
Infrastructure	99,225	85,633	-	184,858
Building and building improvements	38,810,639	115,421	-	38,926,060
Furniture, fixtures and equipment	16,471,918	599,130	33,125	17,037,923
Library materials	779,613	-	-	779,613
Vehicles	<u>300,663</u>	<u>-</u>	<u>-</u>	<u>300,663</u>
Subtotal depreciable capital assets	<u>57,753,900</u>	<u>800,184</u>	<u>33,125</u>	<u>58,520,959</u>
Total capital assets	<u>59,082,895</u>	<u>1,407,001</u>	<u>33,125</u>	<u>60,456,771</u>
Less accumulated depreciation:				
Land improvements	821,826	86,662	-	908,488
Infrastructure	90,243	12,120	-	102,363
Building and building improvements	14,635,887	1,031,937	-	15,667,824
Furniture, fixtures and equipment	14,544,371	821,685	33,125	15,332,931
Library materials	725,691	16,349	-	742,040
Vehicles	<u>196,331</u>	<u>27,908</u>	<u>-</u>	<u>224,239</u>
Total accumulated depreciation	<u>31,014,349</u>	<u>1,996,661</u>	<u>33,125</u>	<u>32,977,885</u>
Net depreciable capital assets	<u>26,739,551</u>	<u>(1,196,477)</u>	<u>-</u>	<u>25,543,074</u>
Capital assets, net	<u>\$ 28,068,546</u>	<u>\$ (589,660)</u>	<u>\$ -</u>	<u>\$27,478,886</u>

BAY DE NOC COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

The following presents the changes in the various capital assets categories for the year ended June 30, 2012:

	Balance July 1, 2011	Additions	Retirements	Balance June 30, 2012
Capital assets not being depreciated:				
Land	\$ 1,321,225	\$ -	\$ -	\$ 1,321,225
Construction in progress	-	7,770	-	7,770
Subtotal nondepreciable capital assets	<u>1,321,225</u>	<u>7,770</u>	<u>-</u>	<u>1,328,995</u>
Capital assets being depreciated:				
Land improvements	1,254,956	36,886	-	1,291,842
Infrastructure	99,225	-	-	99,225
Building and building improvements	38,475,860	334,779	-	38,810,639
Furniture, fixtures and equipment	16,255,581	547,802	331,465	16,471,918
Library materials	766,437	13,176	-	779,613
Vehicles	280,548	20,115	-	300,663
Subtotal depreciable capital assets	<u>57,132,607</u>	<u>952,758</u>	<u>331,465</u>	<u>57,753,900</u>
Total capital assets	<u>58,453,832</u>	<u>960,528</u>	<u>331,465</u>	<u>59,082,895</u>
Less accumulated depreciation:				
Land improvements	731,220	90,606	-	821,826
Infrastructure	89,245	998	-	90,243
Building and building improvements	13,610,999	1,024,888	-	14,635,887
Furniture, fixtures and equipment	14,065,524	810,312	331,465	14,544,371
Library materials	706,617	19,074	-	725,691
Vehicles	162,207	34,124	-	196,331
Total accumulated depreciation	<u>29,365,812</u>	<u>1,980,002</u>	<u>331,465</u>	<u>31,014,349</u>
Net depreciable capital assets	<u>27,766,795</u>	<u>(1,027,244)</u>	<u>-</u>	<u>26,739,551</u>
Capital assets, net	<u>\$ 29,088,020</u>	<u>\$ (1,019,474)</u>	<u>\$ -</u>	<u>\$28,068,546</u>

BAY DE NOC COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

4. LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended June 30, 2013 are as follows:

	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013	Current Portion
Bonds payable					
General obligation building and site bonds of 2001	\$ 350,000	-	\$ (175,000)	\$ 175,000	\$ 175,000
General obligation refunding bonds of 2003 - Series II	300,000	-	(300,000)	-	-
General obligation facilities bonds of 2006	5,810,000	-	(275,000)	5,535,000	285,000
General obligation refunding bonds of 2007	<u>1,110,000</u>	<u>-</u>	<u>(435,000)</u>	<u>675,000</u>	<u>675,000</u>
Total bonds payable	7,570,000	-	(1,185,000)	6,385,000	1,135,000
Other long-term obligations					
Accrued employee benefits payable	<u>729,217</u>	<u>20,223</u>	<u>(218,695)</u>	<u>530,745</u>	<u>-</u>
Total long-term obligations	<u>\$ 8,299,217</u>	<u>\$ 20,223</u>	<u>\$ (1,403,695)</u>	<u>\$ 6,915,745</u>	<u>\$ 1,135,000</u>

BAY DE NOC COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

Changes in long-term liabilities for the year ended June 30, 2012 are as follows:

	Balance July 1, 2011	Additions	Reductions	Balance June 30, 2012	Current Portion
Bonds payable					
General obligation building and site bonds of 2001	\$ 520,000	-	\$ (170,000)	\$ 350,000	\$ 175,000
General obligation refunding bonds of 2003 - Series II	575,000	-	(300,000)	300,000	300,000
General obligation facilities bonds of 2006	6,055,000	-	(275,000)	5,810,000	275,000
General obligation refunding bonds of 2007	<u>1,535,000</u>	<u>-</u>	<u>(435,000)</u>	<u>1,110,000</u>	<u>435,000</u>
Total bonds payable	8,685,000	-	(1,115,000)	7,570,000	1,185,000
Other long-term obligations					
Accrued employee benefits payable	<u>658,439</u>	<u>103,149</u>	<u>(32,371)</u>	<u>729,217</u>	<u>-</u>
Total long-term obligations	<u>\$ 9,343,439</u>	<u>\$ 103,149</u>	<u>\$ (1,147,371)</u>	<u>\$ 8,299,217</u>	<u>\$ 1,185,000</u>

The proceeds of the 2001 Building and Site Bonds were used for construction and rehabilitation costs of the College's Health and Applied Technology Center. The bonds carry an average interest rate of approximately 4.5% and mature in 2014.

The proceeds of the 2003 Series II Refunding Bonds were used to retire 1993 Facility and Site Bonds in the amount of \$2,225,000. No amounts remain in escrow. The bonds were payable from tax revenue of the College. The 2003 bonds carried an average interest rate of approximately 3.1% and were paid off during fiscal year 2013.

The proceeds of the 2006 Facilities Bonds were used for construction costs related to the erecting, furnishing, and equipping of the College's West Campus. The bonds carry an average interest rate of approximately 4.0% and mature in 2027.

The proceeds of the 2007 Building and Site Refunding Bonds were used for costs related to the remodeling, refurbishing, and re-equipping the Student Center Building and to refund \$1,250,000 of the 1997 Building and Site Bonds and \$440,000 of the 1999 Facility and Site Bonds. No amounts remain in escrow. The bonds carry an interest rate of 4.0% and mature in 2014.

BAY DE NOC COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

Future debt service requirements on bonds payable for years ending after June 30, 2013 are as follows:

Year Ending June 30	Principal	Interest	Total
2014	\$ 1,135,000	\$ 263,346	\$ 1,398,346
2015	300,000	216,984	516,984
2016	315,000	204,984	519,984
2017	330,000	192,384	522,384
2018	345,000	179,184	524,184
2019-2023	2,005,000	674,516	2,679,516
2024-2027	<u>1,955,000</u>	<u>211,644</u>	<u>2,166,644</u>
	<u>\$ 6,385,000</u>	<u>\$ 1,943,042</u>	<u>\$ 8,328,042</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.

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

Plan Description

The College contributes to the Michigan Public School Employees Retirement System (MPSERS), a collection of several retirement plans administered by the State of Michigan Department of Management and Budget, Office of Retirement Systems. MPSERS provides retirement, survivor and disability benefits to plan members and beneficiaries. Benefit provisions are established and may be amended by state statute. The Office of Retirement Systems issues a publicly available financial report that includes financial statements and required supplementary information for MPSERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, 7150 Harris Drive, P.O. Box 30673, Lansing, Michigan, 48909-8103 or by calling (517) 322-5103.

BAY DE NOC COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

Funding Policy

Member contribution rates vary based on date of hire and certain voluntary elections. *Member Investment Plan ("MIP")* members enrolled in MIP prior to January 1, 1990 contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990 through June 30, 2008 contribute at the following graduated permanently fixed contribution rates: 3 percent of the first \$5,000; 3.6 percent of \$5,001 through \$15,000; 4.3 percent of all wages over \$15,000. Members first hired July 1, 2008 through June 30, 2010 contribute at the following graduated permanently fixed contribution rates: 3.0 percent of the first \$5,000; 3.6 percent of \$5,001 through \$15,000; 6.4 percent of all wages over \$15,000.

Basic Plan members make no contributions. Members first enrolled on or after July 1, 2010 are enrolled in the MIP Plus Plan. Member contributions are matched at a rate of 50 percent by the employer, up to a maximum of one percent. *Basic 4%* and *MIP 7%* members contribute 4 percent and 7 percent of pretax salary, respectively. Based on the option selected at enrollment, these individuals contribute at a fixed rate until termination of employment or until reaching 30 years of service. At that time, based on the option selected, employee contributions are no longer required or revert to the contribution requirements under the MIP plan in which the employee initially enrolled.

The College is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree healthcare benefits on a cash disbursement basis. The rates for the years ended June 30, 2013 and 2012 as a percentage of payroll ranged from 20.96 to 25.36 percent and from 19.16 to 24.46 percent, respectively.

The contribution requirements of plan members and the College are established by Michigan State statute and may be amended only by action of the State Legislature. The College's contributions to MPSERS under all plans for the years ended June 30, 2013, 2012, and 2011 were \$1,723,825, \$1,702,139, and \$1,521,182, respectively, equal to the required contributions for each year.

Other Postemployment Benefits

Retirees enrolled in MPSERS before September 4, 2012 have the option of participating in the Premium Subsidy plan, a defined benefit postemployment healthcare plan, which is funded by employers on a cash disbursement basis. The State of Michigan has contracted to provide the comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. All health care benefits are on a self-funded basis. A significant portion of the premium is paid by MPSERS with the balance deducted from the monthly pension. Plan participants contribute 3 percent of covered payroll to the Retiree Healthcare Fund. At retirement, these individuals receive a subsidy for healthcare premiums that cover up to 80 percent of cost.

Plan members enrolled on or after September 4, 2012 participate in the Personal Healthcare Fund. This defined contribution other postemployment benefits plan includes a required 2 percent employee contribution into a personal tax-deferred account, which is matched by an additional 2 percent employer contribution. Employees are fully vested in these contributions which can be used, along with earnings thereon, to pay for postemployment healthcare expenses. Plan members working prior to September 4, 2012 were given the option to convert from the Premium Subsidy plan to the Personal Healthcare Fund option. Effective

BAY DE NOC COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

February 1, 2013, these members are no longer required to make the 3 percent employee contribution.

Amounts paid into the Retiree Healthcare Fund between September 4, 2012 and February 1, 2013 were credited to each individual's Personal Healthcare Fund account. Any contributions made prior to September 4, 2012 are pending a Supreme Court resolution.

The College's contributions to MPSERS for other postemployment benefits are not separately identified and are included in the contribution amounts disclosed above.

Defined Contribution Plan

The College offers 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.

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 Plan. All contributions are fully vested when made. Total contributions for the years ended June 30, 2013, 2012 and 2011 were \$506,157, \$460,123 and \$401,664, 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.

Longevity Benefit Payments

Full-time Faculty

In lieu of an early retirement program or payment for unused sick time, a faculty member who has not less than ten years of full-time services as a full-time faculty member of the College 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 College recognizes administrator loyalty to the College by providing a financial benefit upon the qualifying administrator's retirement. The administrator 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. The College has elected to calculate the liability using the alternative measurement method permitted by GASB 45 for employers in plans with fewer than one hundred total plan members. The total liability for these benefits was approximately \$523,000 and \$729,000 at June 30, 2013 and 2012, respectively. The College recognized an expense associated with early retirement incentives of approximately \$0 and \$71,000 for 2013 and 2012, 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 \$256,000 and \$251,000 at June 30, 2013 and 2012, 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 MPERS or TIAA-CREF, or the College's 403(b) plan
2. Health care coverage when none would otherwise be provided (COBRA)
3. Payments due to early release from employment contracts

BAY DE NOC COMMUNITY COLLEGE

■ NOTES TO FINANCIAL STATEMENTS

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.

9. COMMITMENTS AND CONTINGENCIES

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

10. RISK MANAGEMENT

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



SUPPLEMENTARY INFORMATION

BAY DE NOC COMMUNITY COLLEGE

COMBINING STATEMENT OF NET POSITION
JUNE 30, 2013
 (with comparative totals for 2012)

	General Fund	Auxiliary Fund	Plant Fund	Agency Fund	Restricted Fund	Subtotal	Eliminations	Combined Total June 30, 2013	Combined Total June 30, 2012
Assets									
Current assets									
Cash and cash equivalents	\$ 2,711,501	\$ -	\$ -	\$ -	\$ 932,375	\$ 3,643,876	\$ -	\$ 3,643,876	\$ 3,425,801
Student receivables, net	102,232	-	-	-	-	102,232	-	102,232	222,343
State appropriations receivable	1,053,098	-	-	-	-	1,053,098	-	1,053,098	916,402
Grants receivable	-	-	-	-	232,854	232,854	-	232,854	208,701
Due from component unit	4,035,676	441,795	(3,394,677)	125,801	(1,111,353)	97,242	-	97,242	173,527
Other receivables, net	403,297	-	-	-	11,899	415,196	(16,231)	398,965	247,595
Prepaid expenses and other current assets	398,926	-	-	-	-	398,926	-	398,926	229,925
Total current assets	8,704,730	441,795	(3,394,677)	125,801	65,775	5,943,424	(16,231)	5,927,193	5,424,294
Noncurrent assets									
Capital assets, net	-	-	27,478,886	-	-	27,478,886	-	27,478,886	28,068,546
Total assets	8,704,730	441,795	24,084,209	125,801	65,775	33,422,310	(16,231)	33,406,079	33,492,840
Liabilities									
Current liabilities									
Accounts payable	256,157	-	-	-	-	256,157	-	256,157	249,474
Accrued payroll and related liabilities	1,415,577	-	-	-	-	1,415,577	-	1,415,577	927,842
Unearned revenue	186,640	-	-	-	53,381	240,021	-	240,021	211,549
Interest payable	-	-	43,891	-	-	43,891	-	43,891	51,780
Other current liabilities	156,960	9,750	-	125,801	-	292,511	-	292,511	274,075
Due to the State	-	-	-	-	-	-	-	-	252,004
Current portion of long-term debt	6,800	-	1,135,000	-	-	1,141,800	(6,800)	1,135,000	1,185,000
Total current liabilities	2,022,134	9,750	1,178,891	125,801	53,381	3,389,957	(6,800)	3,383,157	3,151,724
Noncurrent liabilities									
Long-term debt, net of current portion	9,431	-	5,250,000	-	-	5,259,431	(9,431)	5,250,000	6,385,000
Accrued employee benefits payable	530,745	-	-	-	-	530,745	-	530,745	729,217
Total liabilities	2,562,310	9,750	6,428,891	125,801	53,381	9,180,133	(16,231)	9,163,902	10,265,941
Net position									
Net investment in capital assets	(16,231)	-	21,093,886	-	-	21,077,655	16,231	21,093,886	20,492,324
Unrestricted (deficit)	6,309,066	416,302	(3,560,846)	-	-	3,164,522	(16,231)	3,148,291	2,734,575
Total net position	\$ 6,292,835	\$ 416,302	\$ 17,533,040	\$ -	\$ -	\$ 24,242,177	\$ -	\$ 24,242,177	\$ 23,226,899

BAY DE NOC COMMUNITY COLLEGE

COMBINING STATEMENT OF REVENUES, EXPENSES, TRANSFERS, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2013
 (with comparative totals for 2012)

	General Fund	Auxiliary Fund	Plant Fund	Restricted Fund	Subtotal	Eliminations	Combined Total June 30, 2013	Combined Total June 30, 2012
Operating revenues								
Tuition and fees, net	\$ 9,091,547	\$ -	\$ -	\$ -	\$ 9,091,547	\$ (3,148,740)	\$ 5,942,807	\$ 6,222,137
Federal grants and contracts	-	-	-	862,637	862,637	-	862,637	1,228,282
State and local grants and contracts	-	-	-	41,733	41,733	-	41,733	58,660
Sales and service of auxiliary activities	131,142	246,381	-	-	377,523	(124,803)	252,720	267,392
Other operating revenues	271,209	-	-	-	271,209	-	271,209	248,427
Total operating revenues	9,493,898	246,381	-	904,370	10,644,649	(3,273,543)	7,371,106	8,024,898
Operating expenses								
Instruction	7,964,416	-	525	1,085,287	9,050,228	-	9,050,228	9,635,549
Public service	184,022	-	-	-	184,022	-	184,022	311,090
Instructional support	1,398,324	-	-	-	1,398,324	-	1,398,324	1,158,332
Student services	1,720,944	-	-	5,740,370	7,461,314	(3,273,543)	4,187,771	4,429,738
Institutional administration	4,103,002	-	-	-	4,103,002	-	4,103,002	5,105,901
Operations and maintenance of plant	1,668,156	68,799	-	-	1,736,955	-	1,736,955	1,880,948
Depreciation	-	-	1,996,661	-	1,996,661	-	1,996,661	1,980,002
Total operating expenses	17,038,864	68,799	1,997,186	6,825,657	25,930,506	(3,273,543)	22,656,963	24,501,560
Operating (loss) income	(7,544,966)	177,582	(1,997,186)	(5,921,287)	(15,285,857)	-	(15,285,857)	(16,476,662)
Nonoperating revenues (expenses)								
State appropriations	5,329,461	-	-	-	5,329,461	-	5,329,461	5,040,200
Property tax levy	3,773,349	-	-	-	3,773,349	-	3,773,349	3,660,957
Property taxes from Dickinson County	933,992	-	-	-	933,992	-	933,992	914,682
Pell grants	-	-	-	5,464,891	5,464,891	-	5,464,891	6,222,269
Support from component unit	280,164	-	650,000	-	930,164	-	930,164	101,658
Private gifts, grants and contracts	-	-	-	162,197	162,197	-	162,197	394,438
Investment income	9,221	-	-	-	9,221	-	9,221	9,743
Other nonoperating revenues	-	-	600	-	600	-	600	6,324
Interest on capital asset-related debt	(488)	-	(302,252)	-	(302,740)	-	(302,740)	(340,158)
Net nonoperating revenues	10,325,699	-	348,348	5,627,088	16,301,135	-	16,301,135	16,010,113
Increase (decrease) in net position before transfers	2,780,733	177,582	(1,648,838)	(294,199)	1,015,278	-	1,015,278	(466,549)
Transfers (out) in	(294,199)	-	-	294,199	-	-	-	-
Increase (decrease) in net position	2,486,534	177,582	(1,648,838)	-	1,015,278	-	1,015,278	(466,549)
Net position - beginning of year	3,806,301	238,720	19,181,878	-	23,226,899	-	23,226,899	23,693,448
Net position - end of year	\$ 6,292,835	\$ 416,302	\$ 17,533,040	\$ -	\$ 24,242,177	\$ -	\$ 24,242,177	\$ 23,226,899

BAY DE NOC COMMUNITY COLLEGE

WEST CAMPUS—STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (UNAUDITED)

	Year Ended June 30	
	2013	2012
Tuition and fees	\$ 2,412,054	\$ 2,417,564
Scholarship allowance	(11,858)	(10,643)
Net tuition and fees	2,400,196	2,406,921
Sales and services of auxiliary activities	2,743	2,970
Other operating revenue	36	1,510
Total operating revenues	2,402,975	2,411,401
Salary and wages	1,475,570	1,528,380
Benefits	579,296	451,742
Advertising and professional services	86,495	72,203
Supplies and materials	78,317	95,692
Rent, utilities, and insurance	181,000	177,009
Travel, professional development, and other operating expenses	34,925	55,115
Capital under \$5,000 & grant capital	28,958	14,476
General administration (5% of total expenses)	152,348	150,000
Depreciation	431,787	455,092
Total operating expenses	3,048,696	2,999,709
Operating loss	(645,721)	(588,308)
Nonoperating revenues (expenses)		
Property taxes from Dickinson County	933,992	914,682
Interest on capital asset-related debt	(237,550)	(289,081)
Net nonoperating revenues	696,442	625,601
Increase in net position	\$ 50,721	\$ 37,293