

Bay de Noc  
Community  
College



Years Ended  
June 30, 2016  
and 2015

Financial  
Statements  
and  
Supplementary  
Information

# BAY DE NOC COMMUNITY COLLEGE

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**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 years ended June 30, 2016, June 30, 2015 and June 30, 2014. Management has prepared the financial statements, the related footnote disclosures, and required supplementary information (RSI) 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 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 this statement, the *Bay de Noc Community College Foundation* ("the Foundation") is reported as a component unit of the College and its financial activity is discretely reported herein.

### Financial Highlights

For the year ended June 30, 2016, the College continued with the implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68). This new standard requires 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. This standard has had a significant impact on the liabilities and net position of the College as discussed below. In addition, Note 6 to the financial statements includes a number of items related to the standard, and two schedules are included as RSI following the footnotes.

For the year ended June 30, 2016, the College recorded total operating revenues of \$7.3 million and total operating expenses of \$21.9 million. The difference produced an operating loss of \$14.6 million. Net nonoperating and other revenues of \$14.1 million offset some of this loss and resulted in an overall decrease in net position of \$0.5 million.

With the \$0.5 million of net loss generated in fiscal year 2016, the College's net position decreased to a fiscal year-end balance of \$9.8 million. The College experienced a decrease in student revenue as a result of decreasing enrollment. The College has adjusted expense levels going forward to account for the decrease in tuition revenues.

# BAY DE NOC COMMUNITY COLLEGE

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Statements of Net Position

The statements of net position include all assets and liabilities 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 statements of net position present the financial position of the College at June 30, 2016, 2015 and 2014.

Three additional line items appear on the Statement of Net Position for fiscal year 2016 and 2015, each related to GASB 68: deferred outflows of resources; deferred inflows of resources; and net pension liability. Each of these categories represents a separate piece of the required presentation for the College's participation in the MPSERS pension plan. As of June 30, 2016, the impact to the College is a current year decrease to unrestricted net position of approximately \$614,000 and increase in the net pension liability of approximately \$804,000. These items are discussed in greater detail in the footnotes to the financial statements and the RSI following the footnotes.

#### Net position as of June 30 (in thousands)

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Current assets	\$ 10,503	\$ 10,145	\$ 6,608
Noncurrent assets	30,557	26,238	26,579
Total assets	<u>41,060</u>	<u>36,383</u>	<u>33,187</u>
Deferred outflows of resources	1,612	1,939	-
Current liabilities	3,857	3,018	2,389
Net pension liability	15,132	14,328	-
Other noncurrent liabilities	12,799	9,078	5,449
Total liabilities	<u>31,788</u>	<u>26,424</u>	<u>7,838</u>
Deferred inflows of resources	1,067	1,584	-
Net investment in capital assets	22,038	21,300	21,329
Unrestricted (deficit)	<u>(12,221)</u>	<u>(10,986)</u>	<u>4,020</u>
Total net position	<u>\$ 9,817</u>	<u>\$ 10,314</u>	<u>\$ 25,349</u>

**Current assets** consist of cash and cash equivalents, receivables, and prepaid expenses. Current assets totaled \$10.5 million at June 30, 2016 as compared to \$10.1 million at June 30, 2015. Significant changes include the following:

- Cash and cash equivalents increased by approximately \$204,000, which is primarily due to the College issuance of a bond to finance renovations to College facilities.
- Grants receivable increased by approximately \$445,000, which is primarily attributable to the College purchasing equipment financed under the Community College Skilled Trades Equipment Program ("CCSTEP") grant.
- Other receivables decreased by approximately \$238,000. The June 30, 2016 delinquent taxes for 2016 were received in 2016 while the 2015 delinquent taxes were not received until 2016.
- Prepaid expenses and other current assets decreased approximately \$170,000 as a result of the timing of the health insurance premiums payment.

# BAY DE NOC COMMUNITY COLLEGE

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Current assets totaled \$10.1 million at June 30, 2015 as compared to \$6.6 million at June 30, 2014. Significant changes include the following:

- Cash and cash equivalents increased by approximately \$3.5 million, which is primarily due to the College's issuance of Facility Bonds of approximately \$3.6 million, in May 2015 to finance renovations to College facilities.
- Grants receivable increased by approximately \$182,000, which is primarily attributable to the College purchases of equipment financed under the Trade Adjustment Assistance Community College and Career Training (TAACCCT) grant.
- Other receivables increased by approximately \$179,000. The June 30, 2014 delinquent taxes for 2014 were received in 2014 while the 2015 delinquent taxes were not received until 2016.

**Noncurrent assets** consist of capital assets. Noncurrent assets totaled \$30.6 million at June 30, 2016 and \$26.2 million at June 30, 2015. The increase of approximately \$4.4 million from 2015 to 2016 is due to capital purchases of \$6.4 million offset by depreciation expense of \$2.0 million. With some large investments in capital expected in the upcoming years there should be continued positive growth in net capital assets. Capital assets totaled \$26.2 million at June 30, 2015 and \$26.6 million at June 30, 2014. The decrease of approximately \$300,000 from 2014 to 2015 is due to capital purchases of \$1.7 million offset by depreciation expense of \$2.0 million.

**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 approximately \$3.9 million at June 30, 2016 compared to approximately \$3.0 million at June 30, 2015. The increase in current liabilities can be attributed to the following:

- Accounts payable increased by approximately \$428,000 due to the amounts due for the current multi-building renovation project.
- Current portion of employee benefits payable increased approximately \$92,000 due to the payment for the early retirement incentive offered to College employees retired in 2015 and 2016.
- Current portion of long-term obligations increased \$255,000 as a result of the bond issuance in 2016 to finance the Academic Success Center (ASC) renovation project.

Current liabilities were \$3.0 million at June 30, 2015 compared to \$2.4 million at June 30, 2014. The increase in current liabilities can be attributed to the following:

- Accounts payable increased by approximately \$461,000 due to the amounts due for the current multi-building renovation project and the equipment purchased under the TAACCCT grant.
- Current portion of employee benefits payable increased approximately \$170,000 due to a payment for the early retirement incentive offered to College employees in 2015.
- Current portion of long-term obligations increased \$165,000 due to the College's new \$3.6 million bond issuance in May 2015, which is financing facility renovations.

**Deferred outflows of resources** at June 30, 2016 of approximately \$1.6 million were recorded as a result of changes in assumptions to the net pension liability, College contributions to the MPSERS plan subsequent to the plan's measurement date, difference between projected and actual earnings on pension plan investments, and changes in proportion and difference between employer contributions and proportionate share of contributions. Deferred outflows of resources at June 30, 2015 of approximately \$2.0 million were recorded as a result of changes in assumptions to the net pension liability and College contributions to the MPSERS plan subsequent to the plan's measurement date.

# BAY DE NOC COMMUNITY COLLEGE

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**Noncurrent liabilities** consist of long-term debt, for which the principal is due in more than one year, accrued employee retirement benefits and net pension liability. Long-term debt increased from 2015 to 2016 by approximately \$4.0 million due to the bond sale to finance the ASC renovations project. Retirement benefits decreased by approximately \$228,000 due to early retirement incentive offered employees in 2015 being paid down in 2016. Also, in 2016 the net pension liability increased approximately \$0.8 million. Long-term debt increased from 2014 to 2015 by approximately \$3.1 million due to the \$3.6 million bond issuance to finance the multi-building renovations project offset by principal payments made on the 2006 bonds. The noncurrent portion of accrued employee benefits increased by approximately \$493,000 due to an early retirement incentive program offered to certain employees in 2015. Also, in 2015 a net pension liability of approximately \$14.3 million was recorded as of June 30, 2015 in compliance with GASB 68.

**Deferred inflows of resources** at June 30, 2016 of approximately \$1.1 million were recorded as a result of the difference between expected and actual experience, changes in proportion and differences between employer contributions and proportionate share of contributions, and the pension portion of Section 147c state appropriation award for the 2016 fiscal year. Deferred inflows of resources at June 30, 2015 of approximately \$1.6 million were recorded as a result of the difference between projected and actual earnings on pension plan investments.

**Net position** decreased from 2015 to 2016 by approximately \$497,000 of which approximately \$614,000 is related to the GASB 68 pension adjustment offset with an approximately \$117,000 gain in 2015. Net position decreased from 2014 to 2015 by approximately \$15.0 million of which approximately \$14.2 million is related to the implementation of GASB 68 combined with an approximately \$869,000 loss in 2015.

### 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>2016</u>	<u>2015</u>	<u>2014</u>
Total operating revenues	\$ 7,300	\$ 7,806	\$ 7,503
Total operating expenses	<u>21,927</u>	<u>23,689</u>	<u>22,410</u>
Operating loss	(14,627)	(15,883)	(14,907)
Net nonoperating revenues	14,130	15,013	15,777
Other revenues	<u>-</u>	<u>1</u>	<u>237</u>
(Decrease) increase in net position	(497)	(869)	1,107
Net position, beginning of year	10,314	25,349	24,242
Implementation of GASB 68	<u>-</u>	<u>(14,166)</u>	<u>-</u>
Adjusted net position, beginning of year	<u>10,314</u>	<u>11,183</u>	<u>24,242</u>
Net position, end of year	<u>\$ 9,817</u>	<u>\$ 10,314</u>	<u>\$ 25,349</u>

# BAY DE NOC COMMUNITY COLLEGE

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

### Operating revenues (in thousands)

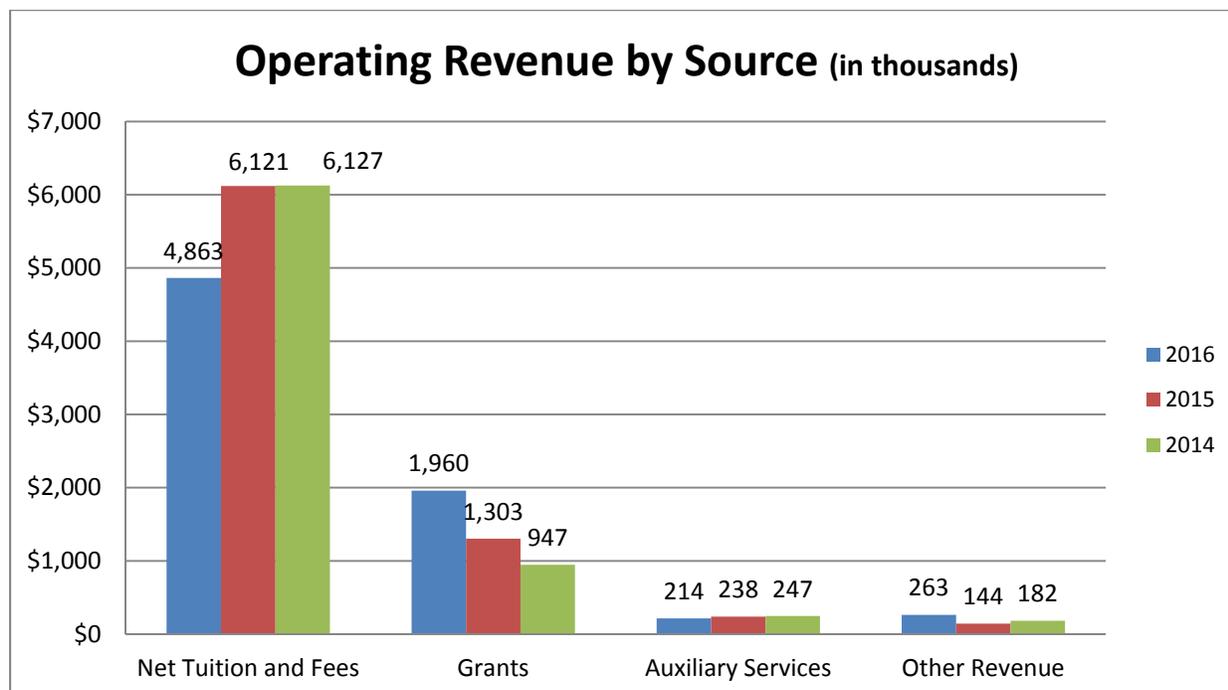
	2016	2015	2014
Net tuition and fees	\$4,863	\$6,121	\$6,127
Grants	1,960	1,303	947
Auxiliary services	214	238	247
Other operating revenues	263	144	182
<b>Total operating revenues</b>	<b>\$7,300</b>	<b>\$7,806</b>	<b>\$7,503</b>

Operating revenues decreased from 2015 to 2016 as a result of the following factors:

- Decreases in tuition and fees of approximately \$1 million as a result of declining enrollment and an increase in the scholarship allowances of approximately \$0.3 million resulted in a net tuition and fees decrease of approximately \$1.3 million.
- Increases in state and local grants of approximately \$699,000 were due to increased funding from the CCSTEP grant, which the College used primarily to purchase new equipment for the EMT, Paramedic, Mechatronics, and Welding programs.

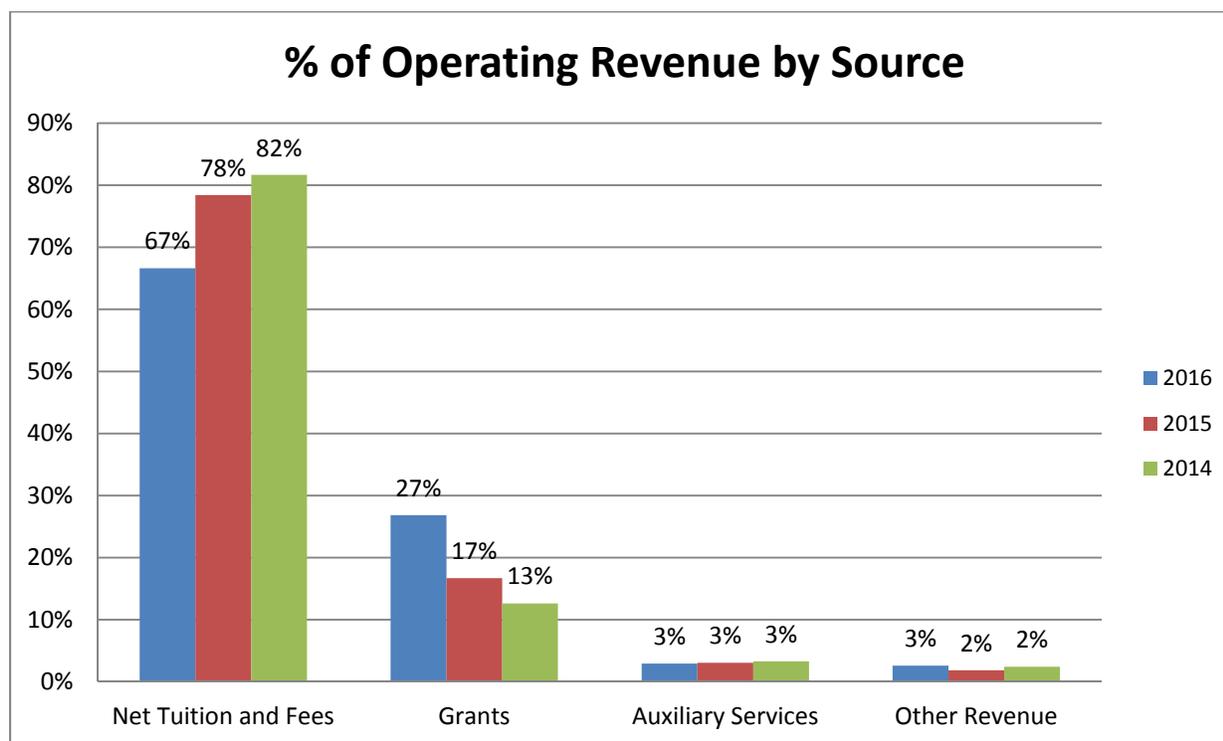
Operating revenues increased from 2014 to 2015 as a result of the following factors:

- Decreases in tuition and fees of approximately \$1.2 million as a result of declining enrollment were offset directly by decreases in scholarship allowances. Net tuition and fees remained comparable to 2014 at \$6.1 million.
- Increases in federal grants and contracts of approximately \$346,000 were due to increased funding from the TAACCCT grant, which the College used primarily to purchase new equipment for the welding and mechatronics programs.



# 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 interest income. Nonoperating expenses consist of interest on capital asset related debt and any losses on disposal of capital assets.

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

### Nonoperating revenues (expenses) (in thousands)

	2016	2015	2014
State appropriations	\$5,701	\$5,915	\$5,570
Property tax levy	3,887	3,884	3,896
Property taxes from Dickinson County	937	926	959
Pell grants	3,044	4,071	5,056
Support from component unit	740	339	414
Private gifts, grants and contracts	43	102	132
Interest income	8	8	8
Loss on disposal of capital assets	-	-	(2)
Interest on capital asset-related debt	(230)	(232)	(256)
<b>Net nonoperating revenues</b>	<b>\$14,130</b>	<b>\$15,013</b>	<b>\$15,777</b>

# BAY DE NOC COMMUNITY COLLEGE

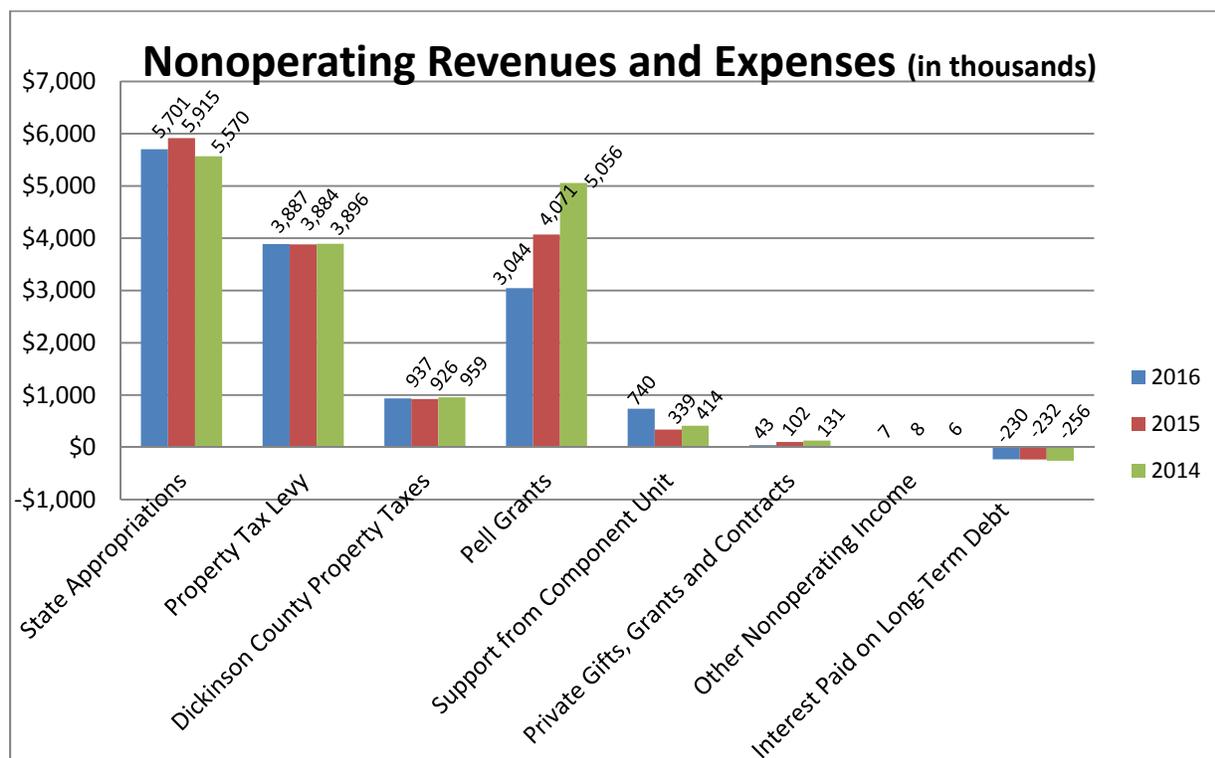
## MANAGEMENT'S DISCUSSION AND ANALYSIS

Changes in nonoperating revenues from 2015 to 2016 were a result of the following factors:

- State appropriations decreased by approximately \$214,000, or 3.6%, due to the decrease of approximately \$284,000 of MPSERS Unfunded Actuarial Accrued Liability (UAAL) Rate Stabilization funding attributable to the MPSERS defined benefit pension plan received during the year, offset by an increase of approximately \$71,000 in the base and performance funding state appropriation.
- Pell grant revenue for 2015 decreased by approximately \$1.0, or 25.2%, as enrollment declines led to decreases in contact hours and the number of students eligible to receive Pell grants.
- In 2016 support from component unit increased by approximately \$400,000, or 118%, due to a donation through the Bay College Foundation for the ASC renovations.

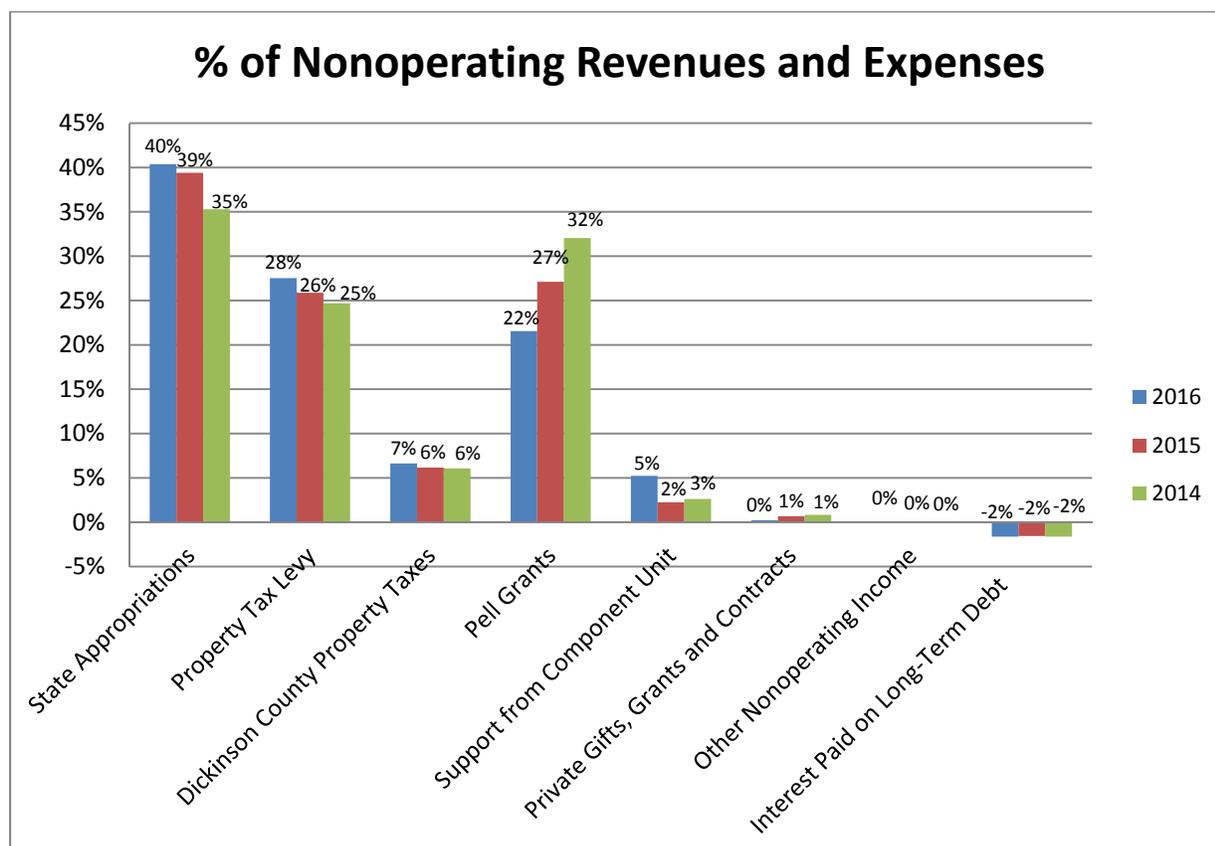
Changes in nonoperating revenues from 2014 to 2015 were a result of the following factors:

- State appropriations increased by approximately \$345,000, or 6.2%, due to a \$143,000 increase in base and performance funding as well as a \$203,000 increase in MPSERS Unfunded Actuarial Accrued Liability (UAAL) Rate Stabilization funding.
- Property tax revenue decreased by approximately \$45,000. The decrease can be primarily attributed to Dickinson County charging an administrative fee in 2015, decreasing the amount they distributed to the College.
- Pell grant revenue for 2015 decreased by approximately \$985,000, or 19.5%, as enrollment declines led to decreases in contact hours and the number of students receiving Pell grants.
- Support from the Bay de Noc Community College Foundation (component unit) decreased by approximately \$75,000, or 18.1%, due to fewer projects supported by the Foundation in 2015.
- Interest on capital asset-related debt was down approximately \$24,000, or 9.3%, in 2015 from 2014, a result of the continued payment of the general obligation refunding bonds of 2007.



# 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	2016	2015	2014
Instruction	\$ 9,788	\$ 9,642	\$ 8,700
Public service	217	277	227
Instructional support	1,317	1,443	1,361
Student services	2,790	4,347	3,892
Institutional administration	4,070	4,002	4,340
Operations and maint. of plant	1,691	1,949	1,881
Depreciation	2,054	2,029	2,009
<b>Total operating expenses</b>	<b>\$21,927</b>	<b>\$23,689</b>	<b>\$22,410</b>

Changes in operating expenses from 2015 to 2016 were a result of the following factors:

- Student services expenses decreased approximately \$1.6 million, or 35.8%, due to a decrease in salaries and wages along with a decrease in Pell expenses as a result of the decrease in enrollment.

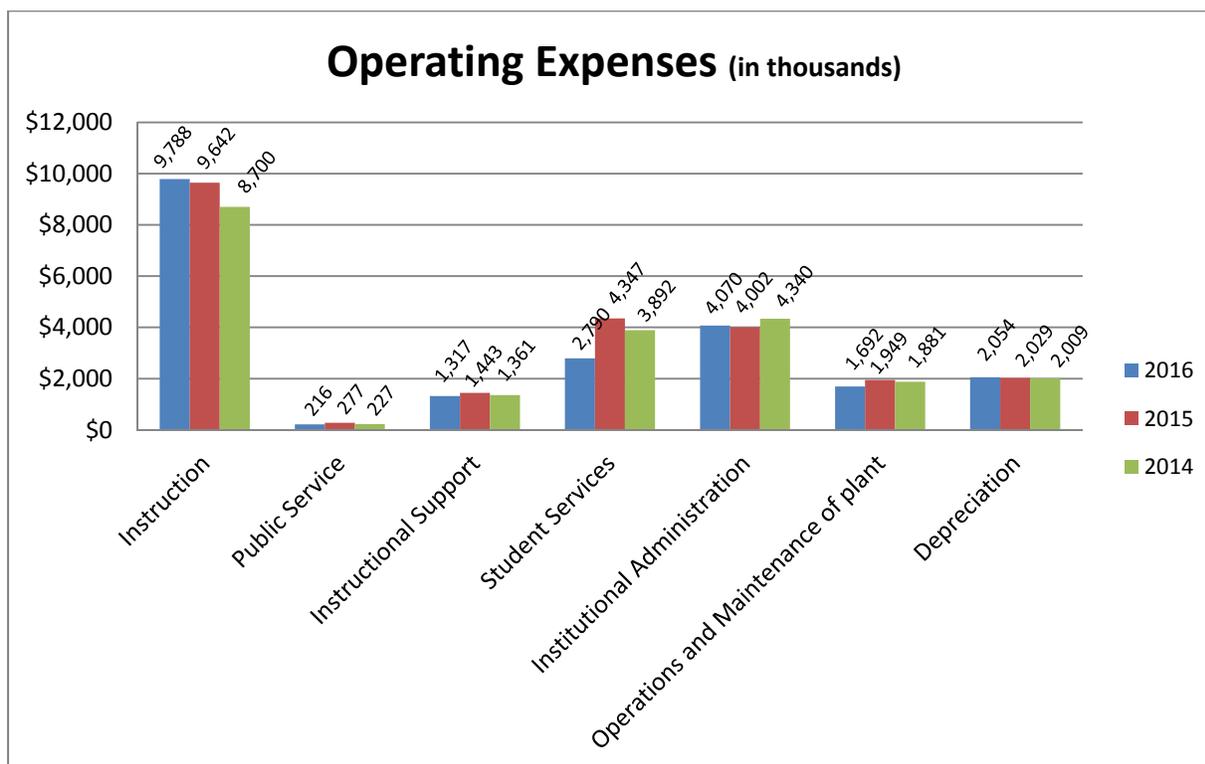
# BAY DE NOC COMMUNITY COLLEGE

## MANAGEMENT'S DISCUSSION AND ANALYSIS

- Operations and maintenance of plant expenses decreased approximately \$257,000, or 11.7%, which can be attributed primarily to less temporary workers were needed along with a milder winter; therefore, less was spent on snow removal and heating costs.

Changes in operating expenses from 2014 to 2015 were a result of the following factors:

- Instruction expenses increased approximately \$941,000, or 10.8%, due to the expenses incurred for offering the early retirement incentive in 2015. Also, in 2015 the College purchased instruction related equipment that were funded by federal and state grants.
- Student services expenses increased approximately \$455,000, or 11.7%, which can be attributed primarily to an increase in salaries and wages.
- Institutional administration expenses decreased by approximately \$338,000, or 7.8%, which is primarily due to a reduction in bad debt expense along with a reduction in the payment for insurance co-pays.



### 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

# BAY DE NOC COMMUNITY COLLEGE

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Statements of cash flows (in thousands)

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Net cash used in operating activities	\$(11,642)	\$(13,452)	\$(12,804)
Net cash provided by noncapital financing activities	14,230	15,339	15,980
Net cash (used in) provided by capital and related financing activities	(2,392)	1,586	(2,462)
Net cash provided by investing activities	<u>8</u>	<u>8</u>	<u>8</u>
Increase in cash and cash equivalents	204	3,481	722
Cash and cash equivalents, beginning of year	<u>7,847</u>	<u>4,366</u>	<u>3,644</u>
Cash and cash equivalents, end of year	<u>\$ 8,051</u>	<u>\$ 7,847</u>	<u>\$ 4,366</u>

Changes in cash flows from 2015 to 2016 were a result of the following factors:

The College receives the majority of their operating funds 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 2016, the College received less money from tuition and fees but also paid less to suppliers due to the multi-building renovation payments made in 2015 and not in 2016.

Net cash provided by non-capital financing activities consists primarily of state appropriations, property taxes, Pell grants, and other gifts and donations. This decrease of approximately \$1.1 million from 2015 is due primarily to the decrease in student enrollment causing a decrease in Pell grant funds, and a decrease of approximately \$213,000 in state appropriations.

Net cash used in capital and related financing activities decreased by approximately \$4.0 million primarily due to purchasing equipment along with completing the multi-building renovation project in 2016. Additionally, the College had a bond sale of \$4.7 million to finance the ASC project in 2016.

Changes in cash flows from 2014 to 2015 were a result of the following factors:

The majority of the College's cash inflows from operating activities come from student tuition and fees and grants. These sources are offset by outflows for operations such as payments to employees and suppliers. In fiscal year 2015, despite the increase in grant collections and decreases to payments to employees, the College spent more funds in payments to suppliers with the purchasing of grant equipment.

Net cash provided by non-capital financing activities consists primarily of state appropriations, property taxes, Pell grants, and other gifts and donations. This decreased by approximately \$641,000 from 2014 due primarily to a \$1 million decrease in Pell grant funds resulting from decreases in enrollment, partially offset by increases in state appropriations.

Net cash provided by (used in) capital and related financing activities increased by approximately \$4 million primarily due to \$3.6 million in proceeds from the issuance of the 2015 Facility Bonds and reduction in principal payments after paying off the 2001 and 2007 bonds during fiscal year 2014.

# BAY DE NOC COMMUNITY COLLEGE

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Capital Assets and Debt

As of June 30, 2016, the College had approximately \$30.6 million in capital assets, net of accumulated depreciation. In 2016 the College began work on the ASC renovations project and finished the multi-building renovations project and capital costs associated with the project were recorded under construction in progress and removed from construction in progress. Additionally in 2016, equipment associated with the Community College Skilled Trades Equipment Program (CCSTEP) grant was purchased.

	Balance July 1, 2015	Additions	Retirements	Transfers	Balance June 30, 2016
Capital assets not being depreciated:					
Land	\$ 1,321,225	\$ -	\$ -	\$ -	\$ 1,321,225
Construction in progress	<u>640,301</u>	<u>1,695,315</u>	<u>-</u>	<u>(484,176)</u>	<u>1,851,440</u>
<b>Subtotal, nondepreciable capital assets</b>	<b><u>1,961,526</u></b>	<b><u>1,695,315</u></b>	<b><u>-</u></b>	<b><u>(484,176)</u></b>	<b><u>3,172,665</u></b>
Capital assets being depreciated:					
Land improvements	1,431,289	119,796	-	-	1,551,085
Infrastructure	265,180	-	-	-	265,180
Building and building improvements	39,240,437	2,980,507	-	453,092	42,674,036
Furniture, fixtures and equipment	19,019,289	1,576,241	-	31,084	20,626,614
Library materials	779,613	-	-	-	779,613
Vehicles	<u>327,322</u>	<u>21,615</u>	<u>(23,212)</u>	<u>-</u>	<u>325,725</u>
<b>Subtotal, depreciable capital assets</b>	<b><u>61,063,130</u></b>	<b><u>4,698,159</u></b>	<b><u>(23,212)</u></b>	<b><u>484,176</u></b>	<b><u>66,222,253</u></b>
<b>Total capital assets</b>	<b><u>63,024,656</u></b>	<b><u>6,393,474</u></b>	<b><u>(23,212)</u></b>	<b><u>-</u></b>	<b><u>69,394,918</u></b>
Less accumulated depreciation:					
Land improvements	1,100,866	92,387	-	-	1,193,253
Infrastructure	138,338	16,708	-	-	155,046
Building and building improvements	17,703,127	1,096,965	-	-	18,800,092
Furniture, fixtures and equipment	16,838,733	818,830	-	-	17,657,563
Library materials	765,834	7,376	-	-	773,210
Vehicles	<u>239,610</u>	<u>21,419</u>	<u>(3,173)</u>	<u>-</u>	<u>257,856</u>
<b>Total accumulated depreciation</b>	<b><u>36,786,508</u></b>	<b><u>2,053,685</u></b>	<b><u>(3,173)</u></b>	<b><u>-</u></b>	<b><u>38,837,020</u></b>
<b>Net depreciable capital assets</b>	<b><u>24,276,622</u></b>	<b><u>\$ 2,644,474</u></b>	<b><u>\$ (20,039)</u></b>	<b><u>\$ 484,176</u></b>	<b><u>27,385,233</u></b>
<b>Capital assets, net</b>	<b><u>\$ 26,238,148</u></b>				<b><u>\$ 30,557,898</u></b>

# BAY DE NOC COMMUNITY COLLEGE

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As of June 30, 2015, the College had \$26.2 million in capital assets, net of accumulated depreciation. In 2015 the College began work on the multi-building renovations project and the capital costs associated with the project were recorded under construction in progress. Additionally in 2015, equipment associated with the TAACCCT grant, CCSTEP grant, and Perkins grants were purchased.

	Balance July 1, 2014	Additions	Retirements	Transfers	Balance June 30, 2015
Capital assets not being depreciated:					
Land	\$ 1,321,225	\$ -	\$ -	\$ -	\$ 1,321,225
Construction in progress	8,570	631,731	-	-	640,301
<b>Subtotal, nondepreciable capital assets</b>	<b>1,329,795</b>	<b>631,731</b>	<b>-</b>	<b>-</b>	<b>1,961,526</b>
Capital assets being depreciated:					
Land improvements	1,419,345	11,944	-	-	1,431,289
Infrastructure	236,697	28,483	-	-	265,180
Building and building improvements	39,063,846	176,591	-	-	39,240,437
Furniture, fixtures and equipment	18,220,348	798,941	-	-	19,019,289
Library materials	779,613	-	-	-	779,613
Vehicles	286,327	40,995	-	-	327,322
<b>Subtotal, depreciable capital assets</b>	<b>60,006,176</b>	<b>1,056,954</b>	<b>-</b>	<b>-</b>	<b>61,063,130</b>
<b>Total capital assets</b>	<b>61,335,971</b>	<b>1,688,685</b>	<b>-</b>	<b>-</b>	<b>63,024,656</b>
Less accumulated depreciation:					
Land improvements	1,007,451	93,415	-	-	1,100,866
Infrastructure	118,680	19,658	-	-	138,338
Building and building improvements	16,684,597	1,018,530	-	-	17,703,127
Furniture, fixtures and equipment	15,978,118	860,615	-	-	16,838,733
Library materials	755,585	10,249	-	-	765,834
Vehicles	212,919	26,691	-	-	239,610
<b>Total accumulated depreciation</b>	<b>34,757,350</b>	<b>2,029,158</b>	<b>-</b>	<b>-</b>	<b>36,786,508</b>
<b>Net depreciable capital assets</b>	<b>25,248,826</b>	<b>\$ (972,204)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>24,276,622</b>
<b>Capital assets, net</b>	<b>\$ 26,578,621</b>				<b>\$ 26,238,148</b>

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 continued to improve and steps taken by the state government are helping to stabilize finances. This has led to some improvement in state appropriations, which is critical as with the improved economy community colleges such as Bay de Noc will experience declining enrollment. Property tax collections improve as property tax valuations increase but this is being offset by legislation that provides relief from property taxes to small businesses as well as improvements in veterans' benefits. These actions are commendable for small business owners and veterans but community colleges struggle to replace the lost revenue.

# BAY DE NOC COMMUNITY COLLEGE

## MANAGEMENT'S DISCUSSION AND ANALYSIS

All members of the Bay de Noc College community are committed to finding ways to meet the needs of our students, providing stable employment while ensuring the College remains financially strong. In the near term the College has managed to remain strong by offsetting declining enrollment by reducing expenses wherever possible. As the College moves forward, consideration will need to be given to making more difficult expense reduction decisions if revenue sources remain flat or decline.

Approximately 76.3 percent of College employees participate in the Michigan Public School Employees' Retirement System (MPSERS) with employer contributions mandated by the State. Contribution rates have risen significantly in recent years to fund retiree healthcare benefits and the unfunded pension liability. There are various MPSERS plans, but contributions for the plan with the majority of the College's employees has been set at 25.8 percent for fiscal year 2016.

GASB 68 was effective for the College's fiscal year 2015 and established new requirements for colleges to report a "net pension liability" for the unfunded portion of its pension plan. Since the College participates in the MPSERS plan, it will report a liability for its "proportionate share" of the "net pension liability" of the MPSERS plan. The College recorded a net pension liability of \$15,132,181 as of June 30, 2016 for the College's proportionate share and an increase of pension expense of \$173,868 related to GASB 68 reporting requirements. We expect these amounts to change annually based on actuarial calculations and updating of related assumptions. This change in accounting is expected to be taken into consideration by the bond rating agencies. It is important to note that while this new standard raises awareness of potential future obligations of the College, its implementation has no immediate impact on the cash position of the College or its ability to meet current obligations.

In fiscal 2018, GASB 75, *Postemployment Benefits Other than Pensions*, will be effective for the College. The College will be required to recognize its proportionate share of the OPEB/healthcare liability on its statement of net position as a result of its participation in the MPSERS OPEB plan. While the exact amount of the impact on the College is not yet determinable, it is expected to be significant based on the high level data shared by MPSERS to date.

# **INDEPENDENT AUDITORS' REPORT**

## INDEPENDENT AUDITORS' REPORT

November 4, 2016

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 years ended June 30, 2016 and 2015, 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 these financial statements based on our audits. We did not audit the 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 audits 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 opinion, based on our audits and the reports 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, 2016 and 2015, and the respective results of their operations and cash flows, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

## **Implementation of GASB Statement No. 68**

As described in Notes 1 and 6, the College implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, in the prior year. Accordingly, beginning net position of business-type activities as of July 1, 2014 was restated. Our opinion is not modified with respect to this matter.

## **Other Matters**

### **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 plan, as listed in the table of contents, 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 audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The supplementary combining information identified in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in our audits of the 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 4, 2016 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.

*Rehmann Johnson LLC*

## **FINANCIAL STATEMENTS**

# BAY DE NOC COMMUNITY COLLEGE

## STATEMENTS OF NET POSITION

	June 30	
	2016	2015
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 3,814,846	\$ 4,234,834
Cash-restricted for capital improvements	4,235,758	3,611,783
Student receivables, net	20,735	26,895
State appropriations receivable	1,113,460	1,072,240
Grants receivable	892,824	447,534
Due from component unit	103,398	22,548
Other receivables, net	41,125	278,627
Prepaid expenses and other current assets	280,498	450,982
<b>Total current assets</b>	<b>10,502,644</b>	<b>10,145,443</b>
<b>Noncurrent assets</b>		
Capital assets not being depreciated	3,172,665	1,961,526
Capital assets being depreciated, net	27,385,233	24,276,622
<b>Total noncurrent assets</b>	<b>30,557,898</b>	<b>26,238,148</b>
<b>Total assets</b>	<b>41,060,542</b>	<b>36,383,591</b>
<b>Deferred outflows of resources</b>		
Deferred pension amounts	1,611,981	1,938,722
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable	1,141,456	713,451
Accrued payroll and related liabilities	1,354,306	1,300,820
Unearned revenue	70,375	72,007
Interest payable	57,650	51,138
Other current liabilities	250,575	246,254
Current portion of employee benefits payable	262,097	169,739
Current portion of long-term debt	720,000	465,000
<b>Total current liabilities</b>	<b>3,856,459</b>	<b>3,018,409</b>
<b>Noncurrent liabilities</b>		
Long-term debt, net of current portion	12,035,000	8,085,000
Accrued employee benefits payable, net of current portion	764,305	992,434
Net pension liability	15,132,181	14,328,240
<b>Total noncurrent liabilities</b>	<b>27,931,486</b>	<b>23,405,674</b>
<b>Total liabilities</b>	<b>31,787,945</b>	<b>26,424,083</b>
<b>Deferred inflows of resources</b>		
Deferred pension amounts	1,067,369	1,584,003
<b>Net position</b>		
Net investment in capital assets	22,038,656	21,299,931
Unrestricted deficit	(12,221,447)	(10,985,704)
<b>Total net position</b>	<b>\$ 9,817,209</b>	<b>\$ 10,314,227</b>

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	
	2016	2015
<b>Operating revenues</b>		
Tuition and fees	\$ 7,128,912	\$ 8,098,608
Scholarship allowance	(2,265,782)	(1,977,884)
Net tuition and fees	4,863,130	6,120,724
Federal grants and contracts	1,219,207	1,261,232
State and local grants and contracts	741,125	42,562
Sales and service of auxiliary activities, net of scholarship allowance of \$33,987 (\$48,363 for 2015)	213,730	237,985
Other operating revenues	263,147	143,979
<b>Total operating revenues</b>	<b>7,300,339</b>	<b>7,806,482</b>
<b>Operating expenses</b>		
Instruction	9,788,170	9,642,345
Public service	216,453	276,818
Instructional support	1,317,428	1,442,484
Student services	2,789,920	4,347,248
Institutional administration	4,069,602	4,002,438
Operations and maintenance of plant	1,691,619	1,948,774
Depreciation	2,053,685	2,029,158
<b>Total operating expenses</b>	<b>21,926,877</b>	<b>23,689,265</b>
<b>Operating loss</b>	<b>(14,626,538)</b>	<b>(15,882,783)</b>
<b>Nonoperating revenues (expenses)</b>		
State appropriations	5,701,489	5,914,679
Property tax levy	3,887,241	3,883,747
Property taxes from Dickinson County	936,502	925,983
Pell grants	3,044,349	4,071,719
Support from component unit	739,583	339,304
Private gifts, grants and contracts	43,114	101,772
Interest income	7,447	7,629
Loss on disposal of capital assets	(364)	-
Interest on capital assets - related debt	(229,841)	(231,958)
<b>Net nonoperating revenues</b>	<b>14,129,520</b>	<b>15,012,875</b>
<b>Other revenues</b>		
State capital appropriations	-	959
<b>Decrease in net position</b>	<b>(497,018)</b>	<b>(868,949)</b>
Net position, beginning of year	10,314,227	25,349,247
Implementation of GASB 68 (Notes 1 and 6)	-	(14,166,071)
<b>Adjusted net position, beginning of year</b>	<b>10,314,227</b>	<b>11,183,176</b>
<b>Net position, end of year</b>	<b>\$ 9,817,209</b>	<b>\$ 10,314,227</b>

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

# BAY DE NOC COMMUNITY COLLEGE

## STATEMENTS OF CASH FLOWS

	Year Ended June 30	
	2016	2015
<b>Cash flows from operating activities</b>		
Tuition and fees	\$ 4,828,194	\$ 6,091,458
Grants and other contracts	1,554,506	1,075,170
Auxiliary enterprises and other revenue	213,730	237,985
Payments to employees	(8,729,628)	(8,252,967)
Payments to suppliers	(10,013,312)	(12,554,025)
Other operating (disbursements) receipts	504,970	(49,679)
<b>Net cash used in operating activities</b>	<b>(11,641,540)</b>	<b>(13,452,058)</b>
<b>Cash flows from noncapital financing activities</b>		
State appropriations	5,660,269	5,849,499
Local property taxes and Dickinson County contract	4,823,743	4,809,730
Pell grants	3,044,349	4,071,719
Federal direct lending receipts	2,402,576	(3,761,449)
Federal direct lending disbursements	(2,402,576)	3,761,449
Gifts and donations	701,847	608,271
<b>Net cash provided by noncapital financing activities</b>	<b>14,230,208</b>	<b>15,339,219</b>
<b>Cash flows from capital and related financing activities</b>		
Purchase of capital assets	(6,393,474)	(1,688,685)
Principal paid on long-term debt	(495,000)	(300,000)
Interest paid on capital assets - related debt	(223,329)	(216,984)
Proceeds from issuance of facility bonds	4,700,000	3,600,000
Proceeds from sales of capital assets	19,675	-
State capital appropriations	-	191,869
<b>Net cash (used in) provided by capital and related financing activities</b>	<b>(2,392,128)</b>	<b>1,586,200</b>
<b>Cash flows provided by investing activities</b>		
Interest received on bank deposits	7,447	7,629
<b>Net increase in cash and cash equivalents</b>	<b>203,987</b>	<b>3,480,990</b>
Cash and cash equivalents, beginning of year	7,846,617	4,365,627
<b>Cash and cash equivalents, end of year</b>	<b>\$ 8,050,604</b>	<b>\$ 7,846,617</b>
<b>Reconciliation to statements of net position</b>		
Cash and cash equivalents	\$ 3,814,846	\$ 4,234,834
Cash-restricted for capital improvements	4,235,758	3,611,783
<b>Cash and cash equivalents, end of year</b>	<b>\$ 8,050,604</b>	<b>\$ 7,846,617</b>

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	
	2016	2015
<b>Reconciliation of operating loss to net cash used in operating activities:</b>		
Operating loss	\$ (14,626,538)	\$ (15,882,783)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	2,053,685	2,029,158
Change in operating assets and liabilities which provided (used) cash:		
Student receivables	6,160	92,608
Grants receivable	(445,290)	(181,703)
Other receivables	237,502	(178,512)
Prepaid expenses and other current assets	170,484	(81,530)
Accounts payable	428,005	461,323
Accrued payroll and related liabilities	53,486	2,853
Unearned revenue	(1,632)	(168,795)
Accrued employee benefits payable	(135,771)	663,020
Other liabilities	4,321	(15,147)
Change in net pension liability and deferred amounts	614,048	(192,550)
<b>Net cash used in operating activities</b>	<b><u>\$ (11,641,540)</u></b>	<b><u>\$ (13,452,058)</u></b>

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	
	2016	2015
<b>Assets</b>		
Cash and cash equivalents	\$ 596,523	\$ 558,072
Accrued income receivable and other assets	109,165	31,832
Contributions receivable	770,126	6,235
Investments	6,577,313	6,873,283
Beneficial interest in trust assets	1,963,061	1,938,068
<b>Total assets</b>	<b><u>\$ 10,016,188</u></b>	<b><u>\$ 9,407,490</u></b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accrued expenses	\$ 9,500	\$ 9,500
Due to Bay de Noc Community College	103,398	22,548
Due to William Bonifas Fine Arts Center	651,608	788,420
<b>Total liabilities</b>	<b><u>764,506</u></b>	<b><u>820,468</u></b>
<b>Net assets</b>		
Unrestricted deficit	(133,409)	(16,746)
Temporarily restricted	2,276,388	1,780,173
Permanently restricted	7,108,703	6,823,595
<b>Total net assets</b>	<b><u>9,251,682</u></b>	<b><u>8,587,022</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 10,016,188</u></b>	<b><u>\$ 9,407,490</u></b>

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	
	2016	2015
<b>Revenue</b>		
Contributions	\$ 1,471,685	\$ 586,172
Investment (loss) income	(43,913)	49,280
Event income	42,817	-
Gain on beneficial interest in trusts	84,981	17,756
<b>Total revenue</b>	<u>1,555,570</u>	<u>653,208</u>
<b>Expenses</b>		
Scholarships	338,383	329,304
Event expenses	15,538	-
Administration expenses	9,635	9,520
Campus projects	527,354	58,756
<b>Total expenses</b>	<u>890,910</u>	<u>397,580</u>
<b>Increase in net assets</b>	<b>664,660</b>	<b>255,628</b>
Net assets, beginning of year	<u>8,587,022</u>	<u>8,331,394</u>
<b>Net assets, end of year</b>	<u><u>\$ 9,251,682</u></u>	<u><u>\$ 8,587,022</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, 2016 and 2015 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.

#### 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.

#### 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 generally accepted accounting principles 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 accounts receivable allowance for bad debts,

# BAY DE NOC COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

the assumptions used to estimate accrued employee benefits payable, and the assumptions based on historical trends and industry standards used in the actuarial valuations of the MPSERS pension plan.

### **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**

Cash restricted for capital improvements consists of the unspent cash proceeds from the Facility Bonds issuance in April 2016, which are held in a deposit account and restricted for capital renovations to multiple buildings on campus.

### **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 \$77,000 and \$133,000 at June 30, 2016 and 2015, respectively. The bad debt allowance for other receivables was approximately \$281,000 and \$282,000 at June 30, 2016 and 2015, respectively.

### **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

### **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.

# BAY DE NOC COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

### **Deferred Outflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position 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-related amounts, such as changes in assumptions, and certain contributions made to the plan subsequent to the measurement date. More detailed information can be found in Note 6.

### **Deferred Inflows of Resources**

In addition to liabilities, the statement 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 position 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 resource for certain pension-related amounts, such as changes in expected and actual experience, the difference between projected and actual earnings of the pension plan's investments and changes in proportion and differences between employer contributions and proportionate share of contributions. More detailed information can be found in Note 6.

### **Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the 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.

### **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 2016 includes property taxes that were levied on July 1, 2015 and December 1, 2015, which are generally collected before March 1, 2016. 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, 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, such as Federal Direct Loans, where the College serves only as a conduit.

# BAY DE NOC COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

### 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:

	2016	2015
Salaries and wages	\$ 9,545,594	\$ 9,908,923
Benefits	5,060,611	5,360,573
Capital under \$5,000	1,378,182	710,275
Pell and other scholarships	765,289	2,135,172
Professional services	678,218	997,462
Rent, utilities, and insurance	788,292	923,681
Supplies and materials	567,220	582,643
Travel and professional development	1,026,280	971,300
Bad debt expense	63,506	70,078
Depreciation	<u>2,053,685</u>	<u>2,029,158</u>
<b>Total operating expenses</b>	<b><u>\$ 21,926,877</u></b>	<b><u>\$ 23,689,265</u></b>

### 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 2015 financial statements have been reclassified to conform with the 2016 presentation.

### New Accounting Pronouncement

As of July 1, 2014, the College adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This statement requires that the College recognize a net pension liability on the statement of net position, equal to the College's proportionate share of the net pension liability of the Michigan Public School Employees Retirement System (MPSERS), as defined and calculated in accordance with the new standard. More detailed information can be found in Note 6. As a result of this change, the College recognized a net pension liability of \$15,242,395 and deferred outflows of resources of \$1,076,324, which resulted in a decrease in net position of \$14,166,071 as of July 1, 2014.

## 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.

# BAY DE NOC COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

### 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, 2016 and 2015, the carrying amount of cash deposits at banks for the College totaled \$8,046,047 and \$7,842,445, respectively, while the bank balances totaled \$8,125,872 and \$7,934,432, respectively. Of the bank balances, \$500,000 was insured at both June 30, 2016 and 2015, and the remaining \$7,625,872 and \$7,434,432, respectively, was uninsured and uncollateralized.

### 3. CAPITAL ASSETS

The following presents the changes in the various capital asset categories for the year ended June 30, 2016:

	Balance July 1, 2015	Additions	Retirements	Transfers	Balance June 30, 2016
Capital assets not being depreciated:					
Land	\$ 1,321,225	\$ -	\$ -	\$ -	\$ 1,321,225
Construction in progress	640,301	1,695,315	-	(484,176)	1,851,440
<b>Subtotal, nondepreciable capital assets</b>	<b>1,961,526</b>	<b>1,695,315</b>	<b>-</b>	<b>(484,176)</b>	<b>3,172,665</b>
Capital assets being depreciated:					
Land improvements	1,431,289	119,796	-	-	1,551,085
Infrastructure	265,180	-	-	-	265,180
Building and building improvements	39,240,437	2,980,507	-	453,092	42,674,036
Furniture, fixtures and equipment	19,019,289	1,576,241	-	31,084	20,626,614
Library materials	779,613	-	-	-	779,613
Vehicles	327,322	21,615	(23,212)	-	325,725
<b>Subtotal, depreciable capital assets</b>	<b>61,063,130</b>	<b>4,698,159</b>	<b>(23,212)</b>	<b>484,176</b>	<b>66,222,253</b>
<b>Total capital assets</b>	<b>63,024,656</b>	<b>6,393,474</b>	<b>(23,212)</b>	<b>-</b>	<b>69,394,918</b>
Less accumulated depreciation:					
Land improvements	1,100,866	92,387	-	-	1,193,253
Infrastructure	138,338	16,708	-	-	155,046
Building and building improvements	17,703,127	1,096,965	-	-	18,800,092
Furniture, fixtures and equipment	16,838,733	818,830	-	-	17,657,563
Library materials	765,834	7,376	-	-	773,210
Vehicles	239,610	21,419	(3,173)	-	257,856
<b>Total accumulated depreciation</b>	<b>36,786,508</b>	<b>2,053,685</b>	<b>(3,173)</b>	<b>-</b>	<b>38,837,020</b>
<b>Net depreciable capital assets</b>	<b>24,276,622</b>	<b>\$ 2,644,474</b>	<b>\$ (20,039)</b>	<b>\$ 484,176</b>	<b>27,385,233</b>
<b>Capital assets, net</b>	<b>\$ 26,238,148</b>				<b>\$ 30,557,898</b>

# 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, 2015:

	Balance July 1, 2014	Additions	Retirements	Transfers	Balance June 30, 2015
Capital assets not being depreciated:					
Land	\$ 1,321,225	\$ -	\$ -	\$ -	\$ 1,321,225
Construction in progress	<u>8,570</u>	<u>631,731</u>	<u>-</u>	<u>-</u>	<u>640,301</u>
<b>Subtotal, nondepreciable capital assets</b>	<b><u>1,329,795</u></b>	<b><u>631,731</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>1,961,526</u></b>
Capital assets being depreciated:					
Land improvements	1,419,345	11,944	-	-	1,431,289
Infrastructure	236,697	28,483	-	-	265,180
Building and building improvements	39,063,846	176,591	-	-	39,240,437
Furniture, fixtures and equipment	18,220,348	798,941	-	-	19,019,289
Library materials	779,613	-	-	-	779,613
Vehicles	<u>286,327</u>	<u>40,995</u>	<u>-</u>	<u>-</u>	<u>327,322</u>
<b>Subtotal, depreciable capital assets</b>	<b><u>60,006,176</u></b>	<b><u>1,056,954</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>61,063,130</u></b>
<b>Total capital assets</b>	<b><u>61,335,971</u></b>	<b><u>1,688,685</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>63,024,656</u></b>
Less accumulated depreciation:					
Land improvements	1,007,451	93,415	-	-	1,100,866
Infrastructure	118,680	19,658	-	-	138,338
Building and building improvements	16,684,597	1,018,530	-	-	17,703,127
Furniture, fixtures and equipment	15,978,118	860,615	-	-	16,838,733
Library materials	755,585	10,249	-	-	765,834
Vehicles	<u>212,919</u>	<u>26,691</u>	<u>-</u>	<u>-</u>	<u>239,610</u>
<b>Total accumulated depreciation</b>	<b><u>34,757,350</u></b>	<b><u>2,029,158</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>36,786,508</u></b>
<b>Net depreciable capital assets</b>	<b><u>25,248,826</u></b>	<b><u>\$ (972,204)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>24,276,622</u></b>
<b>Capital assets, net</b>	<b><u>\$ 26,578,621</u></b>				<b><u>\$ 26,238,148</u></b>

# BAY DE NOC COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

### 4. LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended June 30, 2016 are as follows:

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Current Portion
<b>Bonds payable</b>					
General obligation facilities bonds of 2006	\$ 4,950,000	\$ -	\$ (4,950,000)	\$ -	\$ -
Facilities bonds of 2015	3,600,000	-	(150,000)	3,450,000	150,000
Refunding facilities bonds of 2006	-	4,605,000	-	4,605,000	370,000
Facilities bonds of 2016	-	<u>4,700,000</u>	-	<u>4,700,000</u>	<u>200,000</u>
Total bonds payable	8,550,000	9,305,000	(5,100,000)	12,755,000	720,000
<b>Other long-term obligations</b>					
Accrued employee benefits payable	<u>1,162,173</u>	<u>103,205</u>	<u>(238,976)</u>	<u>1,026,402</u>	<u>262,097</u>
<b>Total long-term obligations</b>	<b><u>\$ 9,712,173</u></b>	<b><u>\$ 9,408,205</u></b>	<b><u>\$ (5,338,976)</u></b>	<b><u>\$13,781,402</u></b>	<b><u>\$ 982,097</u></b>

Changes in long-term liabilities for the year ended June 30, 2015 are as follows:

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Current Portion
<b>Bonds payable</b>					
General obligation facilities bonds of 2006	\$ 5,250,000	\$ -	\$ (300,000)	\$ 4,950,000	\$ 315,000
Facilities bonds of 2015	-	<u>3,600,000</u>	-	<u>3,600,000</u>	<u>150,000</u>
Total bonds payable	5,250,000	3,600,000	(300,000)	8,550,000	465,000
<b>Other long-term obligations</b>					
Accrued employee benefits payable	<u>499,153</u>	<u>675,959</u>	<u>(12,939)</u>	<u>1,162,173</u>	<u>169,739</u>
<b>Total long-term obligations</b>	<b><u>\$ 5,749,153</u></b>	<b><u>\$ 4,275,959</u></b>	<b><u>\$ (312,939)</u></b>	<b><u>\$ 9,712,173</u></b>	<b><u>\$ 634,739</u></b>

# BAY DE NOC COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

The proceeds of the 2006 General Obligation Facilities Bonds were used for construction costs related to erecting, furnishing, and equipping of the College's West Campus. During December 2015, the College issued \$4,605,000 in General Obligation Limited Tax Bonds with an interest rate of approximately 2.5% to refund \$4,635,000 of outstanding 2006 Facilities Bonds with an interest rate of 4.0%, maturing in 2027. As a result of the refunding, the College recognized a gain on refunding in fiscal 2016 of \$30,000, which is included in other operating revenues on the accompanying statement of revenues, expenses and changes in net position. The net proceeds of \$4,545,308 (after payment of \$59,692 in underwriting fees and other issuance cost) were used to purchase U.S. treasury securities which were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the original bonds. The refunding reduced total debt service payments by \$414,701, which represents an economic gain of approximately \$355,009. Bond issuance costs of \$59,692 are included as expenses in the accompanying financial statements. As of June 30, 2016, the 2006 General Obligation Facilities Bonds are considered defeased and the liability has been removed from the statement of net position. At June 30, 2016, no amounts remain in escrow and the defeased bonds have been paid in full.

The proceeds of the 2015 Facilities Bonds are being 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 are being used for equipping and furnishing College buildings and facilities. The bonds carry an average interest rate of approximately 2.6% and mature in 2034.

Future debt service requirements on bonds payable for years ending after June 30, 2016 are as follows:

Year Ending June 30	Principal	Interest	Total
2017	\$ 720,000	\$ 344,934	\$ 1,064,934
2018	725,000	328,069	1,053,069
2019	745,000	312,069	1,057,069
2020	765,000	295,619	1,060,619
2021	790,000	278,719	1,068,719
2022-2026	4,335,000	1,057,244	5,392,244
2027-2031	2,965,000	507,144	3,472,144
2032-2034	<u>1,710,000</u>	<u>106,938</u>	<u>1,816,938</u>
	<u>\$ 12,755,000</u>	<u>\$3,230,736</u>	<u>\$ 15,985,736</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.

# BAY DE NOC COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

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 College contributes to the Michigan Public School Employees Retirement System (MPERS), a cost-sharing multi-employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (the “State”) originally created under Public Act 136 of 1945, recodified and is 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 is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management & Budget. The Department Director appoints the ORS 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 [www.michigan.gov/mpers-cafr](http://www.michigan.gov/mpers-cafr).

*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.

*Contributions and Funded Status.* 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.

# BAY DE NOC COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

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, 2015 valuation will be amortized over a 21-year period for the 2016 fiscal year.

Employer contribution requirements for pension, inclusive of the MPSERS UAAL Stabilization rates, ranged from 14.56% to 23.07% of covered payroll for the College's fiscal 2016. Plan member contributions range from 0.0% to 7.0% of covered payroll for the College's fiscal 2016.

Employer contribution requirements for pension, inclusive of the MPSERS UAAL Stabilization rates, ranged from 15.44% to 23.07% of covered payroll for the College's fiscal 2015. Plan member contributions range from 0.0% to 7.0% of covered payroll for the College's fiscal 2015.

The College's contribution to MPSERS under all pension plans for the years ended June 30, 2016 and 2015 were \$1,339,523 and \$1,618,883, respectively. The College's contributions to MPSERS for all plans, including other postemployment benefits as described on page 36, for the year ended June 30, 2014 was \$1,646,150. These amounts are equal to the College's required contributions for each year.

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

At June 30, 2016 and 2015, the College reported a liability of \$15,132,181 and \$14,328,240, respectively, for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2015 and 2014, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2014 and 2013, 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, 2015, the College's proportion was 0.06195% compared to 0.06505% at September 30, 2014, a decrease of 0.00310%.

# BAY DE NOC COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

For the years ended June 30, 2016 and 2015, the College recognized its proportional share of the Plan's pension expense of \$1,124,844 and \$1,160,635, respectively. At June 30, 2016, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

2016	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ -	\$ 50,122	\$ (50,122)
Changes in assumptions	372,586	-	372,586
Net difference between projected and actual earnings on pension plan investments	77,238	-	77,238
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>3,867</u>	<u>577,067</u>	<u>(573,200)</u>
	453,691	627,189	(173,498)
College contributions subsequent to the measurement date	1,158,290	-	1,158,290
Pension portion of Sec 147c state appropriation award subsequent to the measurement date	<u>-</u>	<u>440,180</u>	<u>(440,180)</u>
<b>Total</b>	<b><u>\$ 1,611,981</u></b>	<b><u>\$ 1,067,369</u></b>	<b><u>\$ 544,612</u></b>

The \$1,158,290 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, 2017. The \$440,180 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, 2017. Other amounts 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
2017	\$ (111,687)
2018	(111,687)
2019	(131,961)
2020	<u>181,837</u>
<b>Total</b>	<b><u>\$ (173,498)</u></b>

# BAY DE NOC COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

At June 30, 2015, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

2015	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Changes in assumptions	\$ 528,685	\$ -	\$ 528,685
Change in proportionate share	1,817	-	1,817
Net difference between projected and actual earnings on pension plan investments	-	1,584,003	(1,584,003)
	530,502	1,584,003	(1,053,501)
College contributions subsequent to the measurement date	1,408,220	-	1,408,220
<b>Total</b>	<b>\$ 1,938,722</b>	<b>\$ 1,584,003</b>	<b>\$ 354,719</b>

*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 liability in the September 30, 2014 and 2013 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age, normal
Wage inflation rate	3.5%
Projected salary increases	3.5% to 12.3%, including wage inflation at 3.5%
Investment rate of return:	
MIP and Basic plans (non-hybrid)	8.0%
Pension Plus plan (hybrid)	7.5% for 2014 (7% for 2013)
Cost of living adjustments	3.0% annual, non-compounded for MIP members

The mortality table used in these valuations were the RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

Assumption changes as a result of an experience study for the period 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2015 and 2014, is based on the results of an actuarial valuation date of September 30, 2014 and 2013, respectively, and rolled forward using generally accepted actuarial procedures, including the experience study for the 2014 valuation.

# BAY DE NOC COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

*Long-Term Expected Return on 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, 2015 and 2014, are summarized in the following tables:

<u>2015</u>			
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	28.00 %	5.90 %	1.64 %
Alternative investment pools	18.00	9.20	1.66
International equity	16.00	7.20	1.15
Fixed income pools	10.50	0.90	0.09
Real estate and infrastructure pools	10.00	4.30	0.43
Absolute return pools	15.50	6.00	0.93
Short-term investment pools	<u>2.00</u>	0.00	<u>0.00</u>
	<u>100.00 %</u>		5.90 %
Inflation			<u>2.10</u>
<b>Investment rate of return</b>			<u><b>8.00 %</b></u>

<u>2014</u>			
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	28.00 %	4.80 %	1.34 %
Alternative investment pools	18.00	8.50	1.53
International equity	16.00	6.10	0.98
Fixed income pools	10.50	1.50	0.16
Real estate and infrastructure pools	10.00	5.30	0.53
Absolute return pools	15.50	6.30	0.98
Short-term investment pools	<u>2.00</u>	-0.20	<u>-0.02</u>
	<u>100.00 %</u>		5.50 %
Inflation			<u>2.50</u>
<b>Investment rate of return</b>			<u><b>8.00 %</b></u>

# BAY DE NOC COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

*Discount Rate.* A discount rate of 8.0% was used to measure the total pension liability (7.0% for the Pension Plus plan, a hybrid plan provided through non-university employers only). This discount rate was based on the long term expected rate of return on pension plan investments of 8.0% (7.0% for the Pension Plus plan). The projection of cash flows used to determine this discount rate 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 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 plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate.* The following presents the net pension liability of the College as of June 30, 2016 and 2015, calculated using the discount rate of 8.0%, as well as what the College's net pension liability would be if it were calculated using a discount rate that is 1% lower (7.0%) or 1% higher (9.0%) than the current rate:

	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
College's proportionate share of net pension liability (2016)	\$ 19,509,260	\$ 15,132,181	\$ 11,442,124
College's proportionate share of net pension liability (2015)	\$ 18,890,665	\$ 14,328,240	\$ 10,484,507

*Pension Plan Fiduciary Net Position.* Detailed information about the pension 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](http://www.michigan.gov/orsschools).

*Payable to the Pension Plan.* At June 30, 2016, the College reported a payable of \$119,629 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2016. The College reported a payable of \$139,689 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2015.

### **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 pre-funded basis. The State of Michigan has contracted to provide the comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. A significant portion of the premium is paid by MPSERS with the balance deducted from the monthly pension. Employer contributions range from 2.71% to 6.83% and 2.2% to 2.71% of covered payroll for fiscal 2016 and 2015, respectively. Plan participants contribute 3% of covered payroll to the Retiree Healthcare Fund. At retirement, these individuals receive a subsidy for healthcare premiums that covers up to 80% of cost.

# BAY DE NOC COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

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% employee contribution into a personal tax-deferred account, which is matched by an additional 2% 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 February 1, 2013, these members are no longer required to make the 3% 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 U.S. Supreme Court resolution.

The College's contributions to MPERS for other postemployment benefits amounted to \$510,950 and \$252,697 for the years ended June 30, 2016 and 2015, respectively.

### 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 MPERS. Employees electing the Optional Plan who are members of MPERS retain a limited membership in MPERS. As of June 30, 2016 and 2015, the Optional Plan had 55 and 53 active participants, respectively, and 82 and 78 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 Plan. All contributions are fully vested when made. Total contributions for the years ended June 30, 2016, 2015 and 2014 were \$568,786, \$530,542, and \$492,407, 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 MPERS or the equivalent using the MPERS 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.

# BAY DE NOC COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

### **Administrative Staff**

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

25 or more years of service - financial benefit is 25% of annual salary

20 to 24 years of service - financial benefit is 23 % of annual salary

15 to 19 years of service - financial benefit is 21 % of annual salary

10 to 14 years of service - financial benefit is 19% of annual salary

The College records a liability for these benefits over the period earned by the employees based on the likelihood that a benefit will be paid out upon retirement or termination from the College. This plan is funded by the College on a pay-as-you-go basis. The College has elected to calculate the liability using a 5% discount rate applied to the benefit amount. The total liability for these benefits was approximately \$438,000 and \$488,000 at June 30, 2016 and 2015, respectively. The College recognized an expense associated with these longevity incentives of approximately \$12,500 and \$0 during the years ended June 30, 2016 and 2015, 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 \$269,000 and \$278,000 at June 30, 2016 and 2015, 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.

# BAY DE NOC COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

### 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 (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.

#### Employee Severance Plan

During fiscal year 2015, 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 MPERS) as of June 30, 2015. Participants who are not in MPERS, but meet the definition of full or reduced retirement under MPERS [age 60 with 10 years of service, age 46 with 30 years of service or age 55 with 25 years of service] are eligible for the Plan.

For those who elected the ESP, the exit date was June 30, 2015; 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 100% of their 2014-2015 base salary, not to exceed \$50,000, 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 100% of their 2014-2015 base salary, not to exceed \$25,000, 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.

Participants receive the total ESP benefit over five years, divided into sixty equal monthly payments beginning four months following the elected exit date. As of June 30, 2016 and 2015, a total of 15 employees opted into the plan with various exit dates in 2014 and 2015. The College recorded expenses and liability related to the ESP of \$583,199 and \$668,359 as of June 30, 2016 and 2015, respectively, which includes the current portion of \$262,097 and \$169,739 due within one year as of June 30, 2016 and 2015, respectively.

# BAY DE NOC COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

### 9. COMMITMENTS AND CONTINGENCIES

In February 2016, the College entered into an agreement with a third party contractor to perform a multiple-building renovation project with estimated costs of approximately \$3.8 million, including change orders. The majority of these costs were expected to be incurred in fiscal year 2016. The project is being financed by proceeds from the College's bond issuance 2016 (see Note 4). Prior to June 30, 2016, the College made payments of approximately \$500,000 for a balance of approximately \$3.3 million as of June 30, 2016. Subsequent to June 30, 2016, the College has made payments of approximately \$2.8 million. Remaining balance of the commitment is approximately \$0.5 million as of the date of these statements.

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

### 10. RISK MANAGEMENT

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



**REQUIRED SUPPLEMENTARY INFORMATION**  
MPSERS COST-SHARING MULTIPLE-EMPLOYER PLAN

## BAY DE NOC COMMUNITY COLLEGE

### Required Supplementary Information MPERS Cost-Sharing Multiple-Employer Plan

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

	Year Ended June 30, 2016	Year Ended June 30, 2015
College's proportion of the net pension liability	0.06195%	0.06505%
College's proportionate share of the net pension liability	\$ 15,132,181	\$ 14,328,240
College's covered-employee payroll	\$ 5,281,871	\$ 5,545,682
College's proportionate share of the net pension liability as a percentage of its covered employee payroll	286.49%	258.37%
Plan fiduciary net position as a percentage of the total pension liability	63.17%	66.20%

The amounts presented for each fiscal year were determined as of September 30 of the preceding year.

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

# BAY DE NOC COMMUNITY COLLEGE

## Required Supplementary Information MPERS Cost-Sharing Multiple-Employer Plan

### Schedule of College Contributions

	Year Ended June 30, 2016	Year Ended June 30, 2015
Contractually required contribution	\$ 1,339,523	\$ 1,618,883
Contributions in relation to the contractually required contribution	<u>(1,339,523)</u>	<u>(1,618,883)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
College's covered-employee payroll	\$ 4,631,719	\$ 5,575,178
Contributions as a percentage of covered employee payroll	28.92%	29.04%

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

## **SUPPLEMENTARY INFORMATION**

# BAY DE NOC COMMUNITY COLLEGE

## COMBINING STATEMENT OF NET POSITION JUNE 30, 2016 (Unaudited) (with comparative totals for 2015)

	General Fund	Auxiliary Fund	Pension Liability Fund	Plant Fund	Agency Fund	Restricted Fund	Combined Total June 30, 2016	Combined Total June 30, 2015
<b>Assets</b>								
<b>Current assets</b>								
Cash and cash equivalents	\$ 2,745,056	\$ -	\$ -	\$ -	\$ -	\$ 1,069,790	\$ 3,814,846	\$ 4,234,834
Cash-restricted for capital improvements	-	-	-	4,235,758	-	-	4,235,758	3,611,783
Student receivables, net	20,735	-	-	-	-	-	20,735	26,895
State appropriations receivable	1,113,460	-	-	-	-	-	1,113,460	1,072,240
Grants receivable	-	-	-	-	-	892,824	892,824	447,534
Due from component unit	6,875,947	713,645	-	(5,685,612)	92,295	(1,892,877)	103,398	22,548
Other receivables, net	41,125	-	-	-	-	-	41,125	278,627
Prepaid expenses and other current assets	280,498	-	-	-	-	-	280,498	450,982
<b>Total current assets</b>	<b>11,076,821</b>	<b>713,645</b>	<b>-</b>	<b>(1,449,854)</b>	<b>92,295</b>	<b>69,737</b>	<b>10,502,644</b>	<b>10,145,443</b>
<b>Noncurrent assets</b>								
Capital assets not being depreciated	-	-	-	3,172,665	-	-	3,172,665	1,961,526
Capital assets being depreciated, net	-	-	-	27,385,233	-	-	27,385,233	24,276,622
<b>Total noncurrent assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>30,557,898</b>	<b>-</b>	<b>-</b>	<b>30,557,898</b>	<b>26,238,148</b>
<b>Total assets</b>	<b>11,076,821</b>	<b>713,645</b>	<b>-</b>	<b>29,108,044</b>	<b>92,295</b>	<b>69,737</b>	<b>41,060,542</b>	<b>36,383,591</b>
<b>Deferred outflows of resources</b>								
Deferred pension amounts	-	-	1,611,981	-	-	-	1,611,981	1,938,722
<b>Liabilities</b>								
<b>Current liabilities</b>								
Accounts payable	1,141,456	-	-	-	-	-	1,141,456	713,451
Accrued payroll and related liabilities	1,354,306	-	-	-	-	-	1,354,306	1,300,820
Unearned revenue	5,172	-	-	-	-	65,203	70,375	72,007
Interest payable	-	-	-	57,650	-	-	57,650	51,138
Other current liabilities	151,681	6,599	-	-	92,295	-	250,575	246,254
Current portion of employee benefits payable	262,097	-	-	-	-	-	262,097	169,739
Current portion of long-term debt	-	-	-	720,000	-	-	720,000	465,000
<b>Total current liabilities</b>	<b>2,914,712</b>	<b>6,599</b>	<b>-</b>	<b>777,650</b>	<b>92,295</b>	<b>65,203</b>	<b>3,856,459</b>	<b>3,018,409</b>
<b>Noncurrent liabilities</b>								
Long-term debt, net of current portion	-	-	-	12,035,000	-	-	12,035,000	8,085,000
Accrued employee benefits payable, net of current portion	764,305	-	-	-	-	-	764,305	992,434
Net pension liability	-	-	15,132,181	-	-	-	15,132,181	14,328,240
<b>Total noncurrent liabilities</b>	<b>764,305</b>	<b>-</b>	<b>15,132,181</b>	<b>12,035,000</b>	<b>-</b>	<b>-</b>	<b>27,931,486</b>	<b>23,405,674</b>
<b>Total liabilities</b>	<b>3,679,017</b>	<b>6,599</b>	<b>15,132,181</b>	<b>12,812,650</b>	<b>92,295</b>	<b>65,203</b>	<b>31,787,945</b>	<b>26,424,083</b>
<b>Deferred inflows of resources</b>								
Deferred pension amounts	-	-	1,067,369	-	-	-	1,067,369	1,584,003
<b>Net position (deficit)</b>								
Net investment in capital assets	-	-	-	22,038,656	-	-	22,038,656	21,299,931
Unrestricted (deficit)	7,397,804	707,046	(14,587,569)	(5,743,262)	-	4,534	(12,221,447)	(10,985,704)
<b>Total net position (deficit)</b>	<b>\$ 7,397,804</b>	<b>\$ 707,046</b>	<b>\$ (14,587,569)</b>	<b>\$ 16,295,394</b>	<b>\$ -</b>	<b>\$ 4,534</b>	<b>\$ 9,817,209</b>	<b>\$ 10,314,227</b>

**BAY DE NOC COMMUNITY COLLEGE**

**COMBINING STATEMENT OF REVENUES, EXPENSES, TRANSFERS, AND CHANGES IN NET POSITION  
YEAR ENDED JUNE 30, 2016 (Unaudited)  
(with comparative totals for 2015)**

	General Fund	Auxiliary Fund	Pension Liability Fund	Plant Fund	Restricted Fund	Subtotal	Eliminations	Combined Total June 30, 2015	Combined Total June 30, 2016
<b>Operating revenues</b>									
Tuition and fees, net	\$ 7,128,912	\$ -	\$ -	\$ -	\$ -	\$ 7,128,912	\$ (2,265,782)	\$ 4,863,130	\$ 6,120,724
Federal grants and contracts	-	-	-	-	1,219,207	1,219,207	-	1,219,207	1,261,232
State and local grants and contracts	-	-	-	-	741,125	741,125	-	741,125	42,562
Sales and service of auxiliary activities	75,178	172,539	-	-	-	247,717	(33,987)	213,730	237,985
Other operating revenues	261,920	-	-	1,227	-	263,147	-	263,147	143,979
<b>Total operating revenues</b>	<b>7,466,010</b>	<b>172,539</b>	<b>-</b>	<b>1,227</b>	<b>1,960,332</b>	<b>9,600,108</b>	<b>(2,299,769)</b>	<b>7,300,339</b>	<b>7,806,482</b>
<b>Operating expenses</b>									
Instruction	8,363,202	-	119,343	500	1,305,125	9,788,170	-	9,788,170	9,642,345
Public service	215,566	-	887	-	-	216,453	-	216,453	276,818
Instructional support	1,295,869	-	11,631	-	9,928	1,317,428	-	1,317,428	1,442,484
Student services	1,817,011	-	8,850	-	3,263,828	5,089,689	(2,299,769)	2,789,920	4,347,248
Institutional administration	3,996,587	-	23,090	49,925	-	4,069,602	-	4,069,602	4,002,438
Operations and maintenance of plant	1,587,086	94,466	10,067	-	-	1,691,619	-	1,691,619	1,948,774
Depreciation	-	-	-	2,053,685	-	2,053,685	-	2,053,685	2,029,158
<b>Total operating expenses</b>	<b>17,275,321</b>	<b>94,466</b>	<b>173,868</b>	<b>2,104,110</b>	<b>4,578,881</b>	<b>24,226,646</b>	<b>(2,299,769)</b>	<b>21,926,877</b>	<b>23,689,265</b>
<b>Operating (loss) income</b>	<b>(9,809,311)</b>	<b>78,073</b>	<b>(173,868)</b>	<b>(2,102,883)</b>	<b>(2,618,549)</b>	<b>(14,626,538)</b>	<b>-</b>	<b>(14,626,538)</b>	<b>(15,882,783)</b>
<b>Nonoperating revenues (expenses)</b>									
State appropriations	6,141,669	-	(440,180)	-	-	5,701,489	-	5,701,489	5,914,679
Property tax levy	2,711,996	-	-	1,175,245	-	3,887,241	-	3,887,241	3,883,747
Property taxes from Dickinson County	936,502	-	-	-	-	936,502	-	936,502	925,983
Pell grants	-	-	-	-	3,044,349	3,044,349	-	3,044,349	4,071,719
Support from component unit	339,583	-	-	400,000	-	739,583	-	739,583	339,304
Private gifts, grants and contracts	2,297	-	-	-	40,817	43,114	-	43,114	101,772
Interest income	7,447	-	-	-	-	7,447	-	7,447	7,629
Loss on disposal of capital assets	-	-	-	(364)	-	(364)	-	(364)	-
Interest on capital asset-related debt	-	-	-	(229,841)	-	(229,841)	-	(229,841)	(231,958)
<b>Net nonoperating revenues</b>	<b>10,139,494</b>	<b>-</b>	<b>(440,180)</b>	<b>1,345,040</b>	<b>3,085,166</b>	<b>14,129,520</b>	<b>-</b>	<b>14,129,520</b>	<b>15,012,875</b>
<b>Other revenues</b>									
State capital appropriations	-	-	-	-	-	-	-	-	959
<b>Increase (decrease) in net position before transfers</b>	<b>330,183</b>	<b>78,073</b>	<b>(614,048)</b>	<b>(757,843)</b>	<b>466,617</b>	<b>(497,018)</b>	<b>-</b>	<b>(497,018)</b>	<b>(868,949)</b>
Transfers (out) in	(317,870)	-	-	779,953	(462,083)	-	-	-	-
<b>Increase (decrease) in net position</b>	<b>12,313</b>	<b>78,073</b>	<b>(614,048)</b>	<b>22,110</b>	<b>4,534</b>	<b>(497,018)</b>	<b>-</b>	<b>(497,018)</b>	<b>(868,949)</b>
Net position, beginning of year	7,385,491	628,973	(13,973,521)	16,273,284	-	10,314,227	-	10,314,227	25,349,247
Implementation of GASB 68	-	-	-	-	-	-	-	-	(14,166,071)
<b>Adjusted net position (deficit), beginning of year</b>	<b>7,385,491</b>	<b>628,973</b>	<b>(13,973,521)</b>	<b>16,273,284</b>	<b>-</b>	<b>10,314,227</b>	<b>-</b>	<b>10,314,227</b>	<b>11,183,176</b>
<b>Net position (deficit), end of year</b>	<b>\$ 7,397,804</b>	<b>\$ 707,046</b>	<b>\$ (14,587,569)</b>	<b>\$ 16,295,394</b>	<b>\$ 4,534</b>	<b>\$ 9,817,209</b>	<b>\$ -</b>	<b>\$ 9,817,209</b>	<b>\$ 10,314,227</b>

# BAY DE NOC COMMUNITY COLLEGE

## WEST CAMPUS - SCHEDULES OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (Unaudited)

	Year Ended June 30	
	2016	2015
<b>Operating revenues</b>		
Tuition and fees	\$ 1,674,432	\$ 2,133,123
Scholarship allowance	(15,908)	(72,216)
Net tuition and fees	1,658,524	2,060,907
Sales and services of auxiliary activities	3,652	4,316
Grant revenues	340,328	-
Other operating revenue	15	70
<b>Total operating revenues</b>	<b>2,002,519</b>	<b>2,065,293</b>
<b>Operating expenses</b>		
Salary and wages	1,181,577	1,014,489
Benefits	430,820	432,884
Advertising and professional services	55,911	94,081
Supplies and materials	103,243	104,091
Rent, utilities and insurance	136,132	150,213
Travel, professional development, and other operating expenses	25,251	41,688
Capital under \$5,000 and grant capital	349,621	25,619
General administration (5% of total expenses)	127,824	119,042
Depreciation	367,665	398,735
<b>Total operating expenses</b>	<b>2,778,044</b>	<b>2,380,842</b>
<b>Operating loss</b>	<b>(775,525)</b>	<b>(315,549)</b>
<b>Nonoperating revenues (expenses)</b>		
Property taxes from Dickinson County	936,502	925,983
Interest on capital asset-related debt	(143,589)	(214,984)
<b>Net nonoperating revenues</b>	<b>792,913</b>	<b>710,999</b>
<b>(Decrease) Increase in net position</b>	<b>\$ 17,388</b>	<b>\$ 395,450</b>