

Bay de Noc  
Community  
College



Years Ended  
June 30, 2020  
and 2019

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, 2020, 2019 and 2018. Management has prepared the financial statements, the related footnote disclosures, and required supplementary information (RSI) and supporting information along with the discussion and analysis. Responsibility for the accuracy and completeness of this information rests with the College's management.

### Using this Report

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

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

### Component Unit

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

### Financial Highlights

For the year ended June 30, 2020, the College continued to account for GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68) and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* (GASB 75). These standards require the College to record its proportionate share of the net pension liability of the Michigan Public School Employees Retirement System (MPERS), the defined benefit plan in which the majority of the employees of the College participate and requires employers who provide other postemployment benefits (OPEB) to recognize its proportionate share of the net OPEB liability of the MPERS on their statements of net position. Note 6 to the financial statements includes a number of items related to these standards, and four schedules are included as RSI following the footnotes. Both GASB 68 and GASB 75 have had a significant impact on the liabilities and net position of the College as discussed below.

For the year ended June 30, 2020, the College recorded total operating revenues of \$7.2 million and total operating expenses of \$23.0 million. The difference produced an operating loss of \$15.8 million. Net nonoperating revenues of \$14.2 million offset this loss and resulted in an overall decrease in net position of \$1.55 million.

With the \$1.55 million net decrease generated in fiscal year 2020, the College's net position decreased to a fiscal year-end balance of \$4.7 million.

# 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 summarized statements of net position below present the financial position of the College at June 30, 2020, 2019 and 2018.

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

	2020	2019	2018
Current assets	\$ 9,238	\$ 9,887	\$ 7,574
Noncurrent assets	31,125	31,746	31,421
Total assets	40,363	41,633	38,995
Deferred outflows of resources	6,326	6,450	3,354
Current liabilities	3,358	3,092	2,853
Net pension and OPEB liabilities	22,488	21,742	19,540
Other noncurrent liabilities	12,577	13,257	11,084
Total liabilities	38,423	38,091	33,477
Deferred inflows of resources	3,535	3,711	2,705
Net investment in capital assets	19,774	20,436	20,218
Restricted	465	387	-
Unrestricted (deficit)	(15,508)	(14,542)	(14,051)
Total net position	<u>\$ 4,731</u>	<u>\$ 6,281</u>	<u>\$ 6,167</u>

Current assets consist of cash and cash equivalents, receivables, and prepaid expenses. Current assets totaled \$9.2 million at June 30, 2020 compared to \$9.9 million at June 30, 2019. The \$649,000 decrease is primarily the result of an 11% reduction in State appropriations receivable caused by the coronavirus pandemic.

Current assets totaled \$9.9 million at June 30, 2019 which increased from the current assets of \$7.6 million at June 30, 2018. The \$2.3 million increase was primarily the result of unspent bond proceeds from the College's bond issuance in November 2018.

Noncurrent assets consist of capital assets and cash restricted for debt payments. Noncurrent assets totaled \$31.1 million at June 30, 2020 and \$31.7 million at June 30, 2019. The decrease of approximately \$0.6 million is the result of \$1.4 million in capital purchases offset by \$2.1 million in depreciation expense.

Noncurrent assets totaled \$31.7 million at June 30, 2019 and \$31.4 million at June 30, 2018. The increase of approximately \$0.3 million was the result of a gift received from the Hannahville Indian Community to make future debt service payments on the 2018 Bonds.

Deferred outflows of resources at June 30, 2020 of approximately \$6.3 million was recorded as a result of changes in assumptions to the net pension and OPEB liabilities and College contributions to the MPSERS plan subsequent to the plan's measurement date. This is a decrease of approximately \$124,000 from June 30, 2019 due to changes in assumptions related to the discount rates and mortality tables.

# BAY DE NOC COMMUNITY COLLEGE

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Deferred outflows of resources at June 30, 2019 of approximately \$6.5 million was recorded as a result of changes in assumptions to the net pension and OPEB liabilities and College contributions to the MPSERS plan subsequent to the plan's measurement date. This was an increase of approximately \$3.1 million from June 30, 2018 due to changes in assumptions related to the discount rates.

Current liabilities consist of accounts payable, accrued liabilities, unearned revenue, and current portion of long-term debt obligations due within the next fiscal year. Current liabilities were approximately \$3.4 million at June 30, 2020 compared to \$3.1 million at June 30, 2019. The \$0.3 million increase can be attributed to an increase in the current portion of employee benefits payable as a result of an early retirement incentive plan (ERIP) that was offered by the College with funding to occur over the next two fiscal years.

Current liabilities were approximately \$3.1 million at June 30, 2019 which was an increase from the current liabilities of \$2.9 million at June 30, 2018. The \$0.2 million increase can be attributed to an increase in accounts payable, unearned revenue and current portion of long-term debt partially offset by a decrease in the current portion of employee benefits payable.

Noncurrent liabilities consist of long-term debt, for which the principal is due in more than one-year, accrued employee retirement benefits and net pension and OPEB liabilities. Noncurrent liabilities increased from 2019 to 2020 by approximately \$66,000 due to an increase in the net pension and OPEB liabilities of approximately \$746,000 as a result of changes in assumptions used by the actuary and an approximate \$190,000 increase in employee benefits payable due to the ERIP offered by the College. These increases were mostly offset by principal payments on outstanding debt.

Noncurrent liabilities increased from 2018 to 2019 by approximately \$2.2 million due to a \$3.0 million bond issue in November 2018 offset by bond payments on other outstanding debt. Retirement benefits payable remained consistent with 2018 and net pension and OPEB liabilities increased \$2.2 million as a result of changes in assumptions used by the actuary.

Deferred inflows of resources at June 30, 2020 of approximately \$3.5 million were recorded as a result of changes in assumptions to the net pension and OPEB liabilities and College contributions to the MPSERS plan subsequent to the plan's measurement date. This is a decrease of approximately \$176,000 from June 30, 2019 due to changes in assumptions related to the discount rates.

Deferred inflows of resources at June 30, 2019 of approximately \$3.7 million were recorded as a result of the pension portion of Section 147c state aid awarded subsequent to the measurement date and the difference between projected and actual earnings on pension and OPEB plan investments. This is an increase of approximately \$1.0 million from June 30, 2018 due to the difference between projected and actual earnings on the pension plan.

Net position decreased from 2019 to 2020 by approximately \$1.55 million. Other funds decreased approximately \$857,000 while GASB 68 and 75 adjustments further decreased the net position by approximately \$693,000.

Net position increased from 2018 to 2019 by approximately \$114,000 of which approximately \$227,000 was related to an increase in other funds. This was offset by a decrease of approximately \$113,000 related to GASB 68 and GASB 75 adjustments.

# BAY DE NOC COMMUNITY COLLEGE

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### 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>2020</u>	<u>2019</u>	<u>2018</u>
Total operating revenues	\$ 7,192	\$ 7,414	\$ 6,970
Total operating expenses	23,013	21,989	21,180
Operating loss	(15,821)	(14,575)	(14,210)
Net nonoperating revenues	14,271	14,689	14,478
Increase in net position	<u>(1,550)</u>	<u>114</u>	<u>268</u>
Net position, beginning of year	6,281	6,167	10,779
Implementation of GASB 75	-	-	(4,880)
Adjusted net position, beginning of year	<u>6,281</u>	<u>6,167</u>	<u>5,899</u>
Net position, end of year	<u>\$ 4,731</u>	<u>\$ 6,281</u>	<u>\$ 6,167</u>

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

#### Operating revenues (in thousands)

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Net tuition and fees	\$ 5,891	\$ 6,174	\$ 5,774
Grants	729	735	769
Auxiliary services	320	276	235
Other operating revenues	252	229	192
Total operating revenues	<u>\$ 7,192</u>	<u>\$ 7,414</u>	<u>\$ 6,970</u>

Operating revenues decreased from 2019 to 2020 as a result of the following factors:

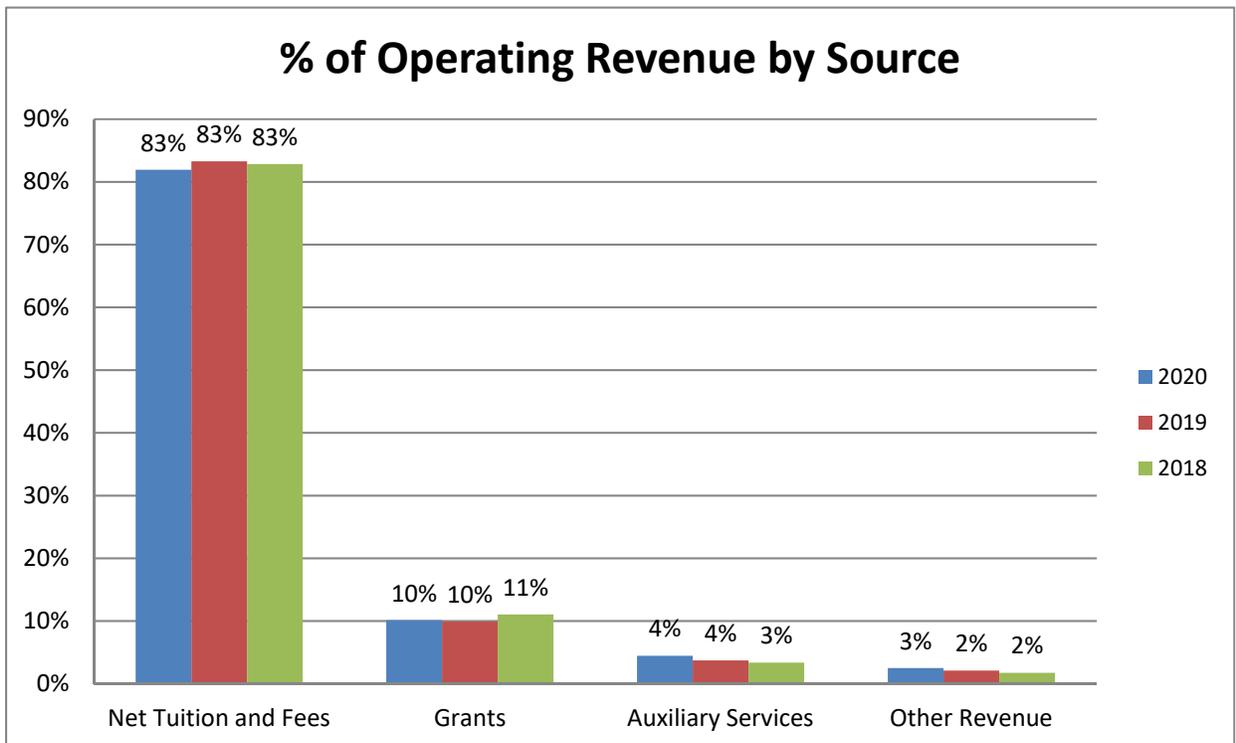
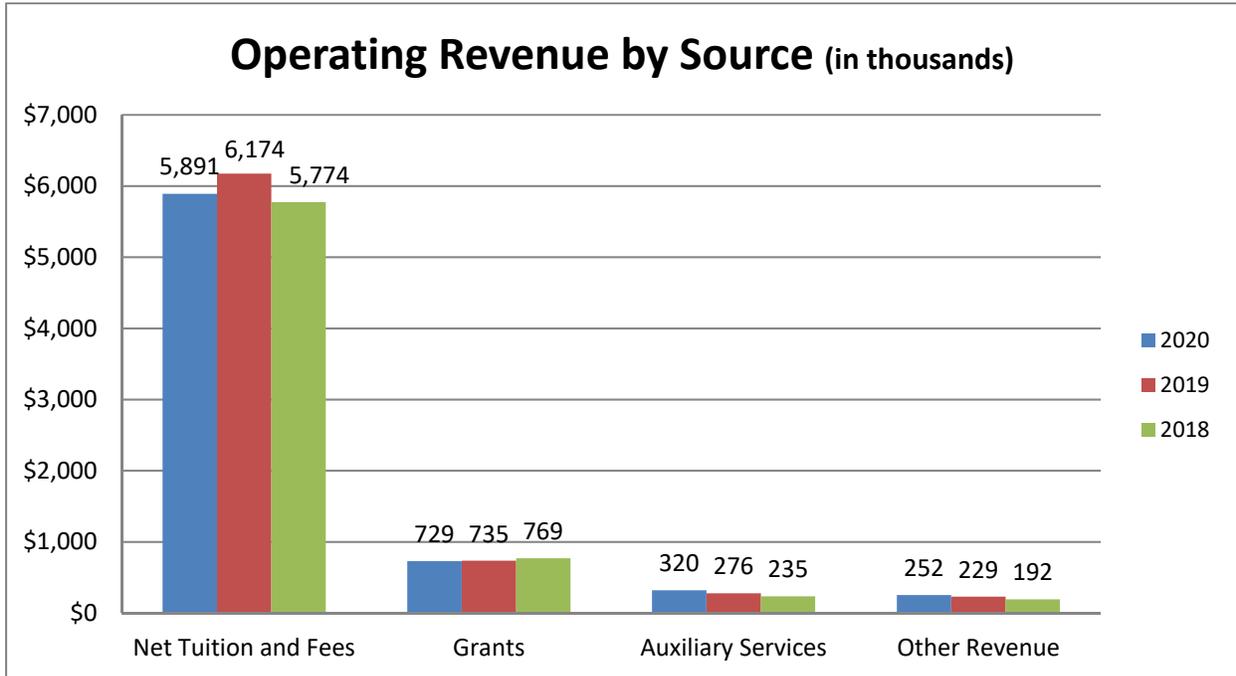
- Decrease in net tuition and fees of approximately \$283,000 as a result of an increase in scholarship allowances partly offset by an increase in tuition rates.
- Offset by modest increases in sales and service of auxiliary activities of approximately \$44,000 and other operating revenues of approximately \$23,000.

# BAY DE NOC COMMUNITY COLLEGE

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Operating revenues increased from 2018 to 2019 as a result of the following factors:

- Increase in net tuition and fees of approximately \$400,000 as a result of an increase in tuition rates and a decrease in scholarship allowances.



# 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)

	2020	2019	2018
State appropriations	\$ 6,129	\$ 6,542	\$ 6,727
Property tax levy	3,922	3,780	3,734
Property taxes from Dickinson County	1,086	1,065	1,020
Pell grants	2,625	2,577	2,715
Federal Higher Education Emergency Relief Fund grant	530	-	-
Support from component unit	512	526	478
Private gifts, grants and contracts	266	534	125
Contributions to the YMCA	(305)	-	-
Interest income	73	49	8
Loss on disposal of capital assets	(155)	-	(4)
Interest on capital asset-related debt	(412)	(384)	(325)
Net nonoperating revenues	<u>\$14,271</u>	<u>\$14,689</u>	<u>\$14,478</u>

Changes in nonoperating revenues (expenses) from 2019 to 2020 were primarily the result of the following factors:

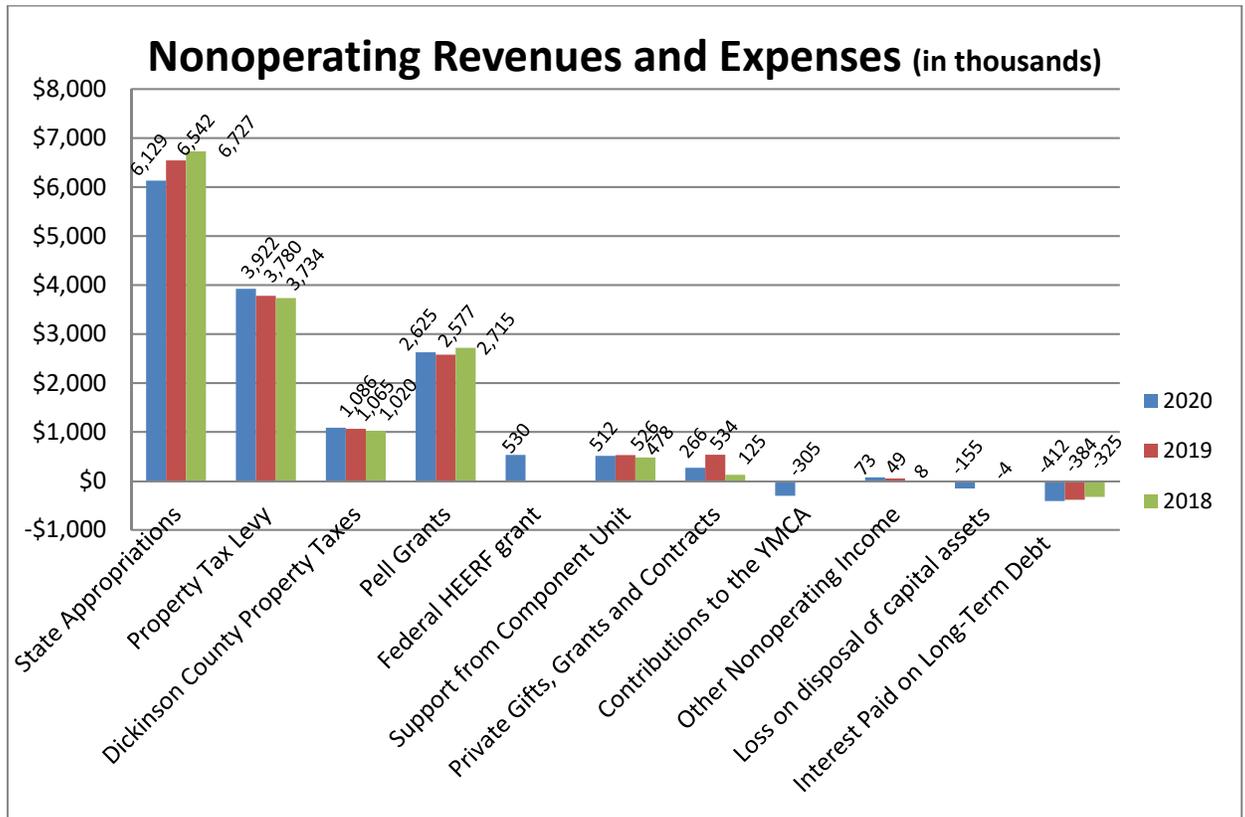
- An approximate \$530,000 increase in Federal Higher Education Emergency Relief Fund grant to cover eligible coronavirus pandemic expenses.
- An approximate \$413,000 reduction in State appropriations and a \$155,000 loss on the disposal of capital assets, partially offset by an increase of approximately \$163,000 in property tax revenue.

Changes in nonoperating revenues (expenses) from 2018 to 2019 were primarily the result of the following factors:

- A \$462,000 restricted gift was received from the Hannahville Indian Community to be used to pay the annual debt service on the 2018 Bonds. This increase was offset by reductions in State appropriations of approximately \$185,000.

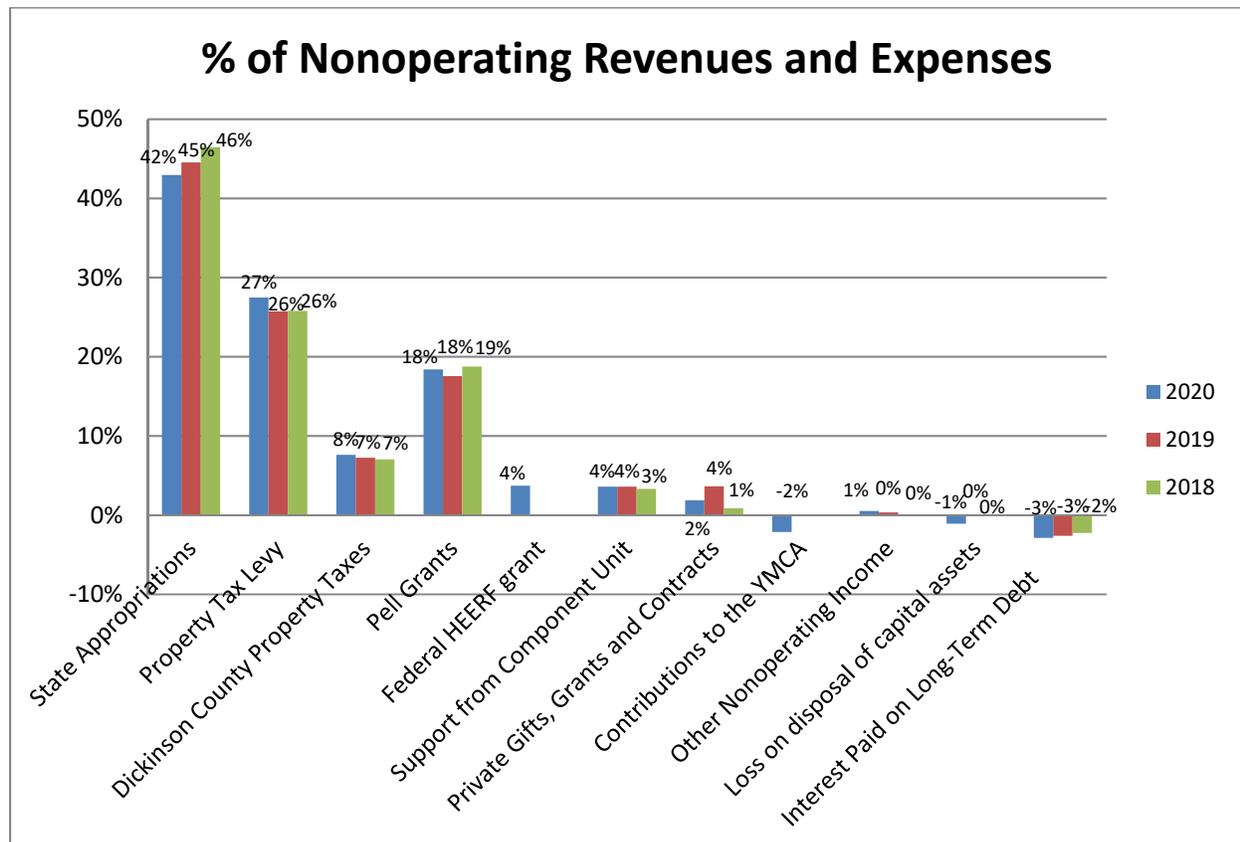
# BAY DE NOC COMMUNITY COLLEGE

## MANAGEMENT'S DISCUSSION AND ANALYSIS



# BAY DE NOC COMMUNITY COLLEGE

## MANAGEMENT'S DISCUSSION AND ANALYSIS



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

Operating expenses	2020	2019	2018
Instruction	\$ 9,533	\$ 8,554	\$ 8,709
Public service	241	238	240
Instructional support	1,823	1,527	1,351
Student services	3,238	3,346	2,961
Institutional administration	2,546	2,791	2,546
Operations and maint. of plant	1,922	1,968	1,759
Information technology	1,553	1,496	1,433
Depreciation	2,157	2,069	2,181
<b>Total operating expenses</b>	<b>\$23,013</b>	<b>\$21,989</b>	<b>\$21,180</b>

# BAY DE NOC COMMUNITY COLLEGE

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Changes in operating expenses from 2019 to 2020 were a result of the following factors:

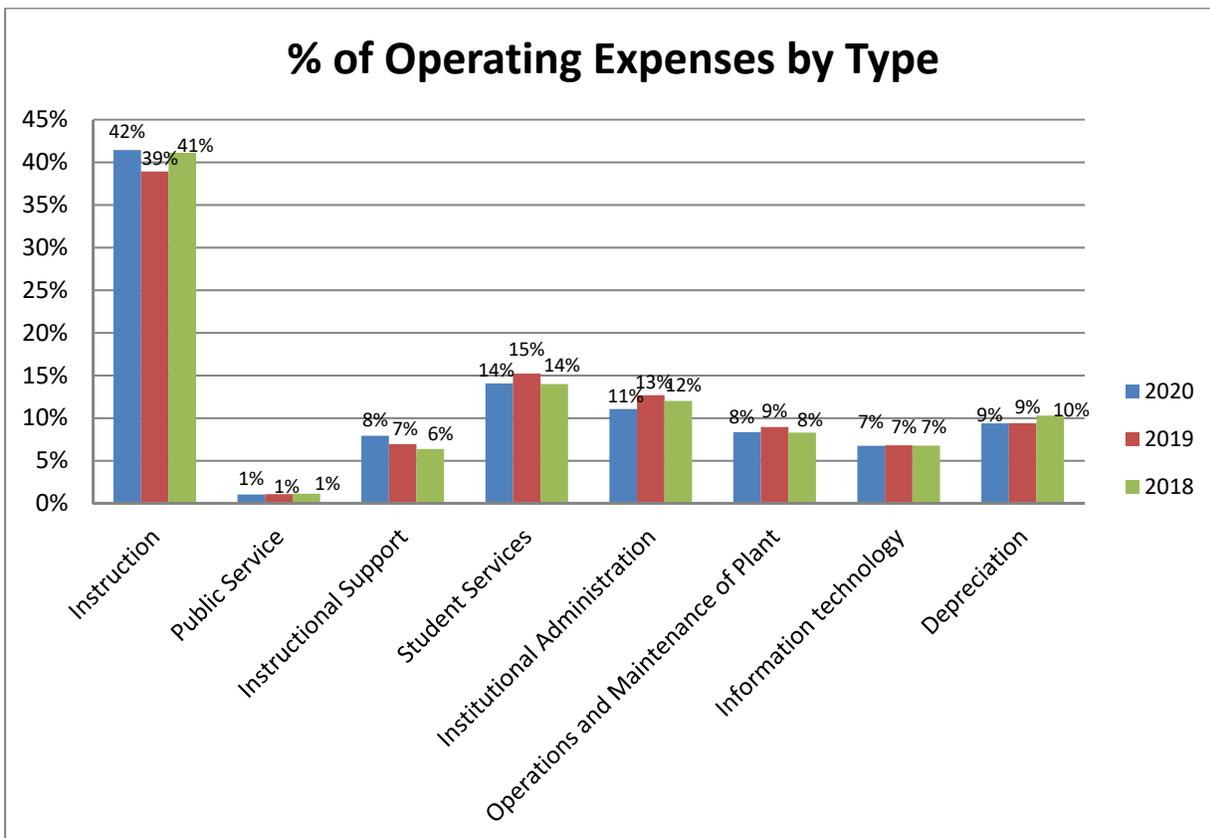
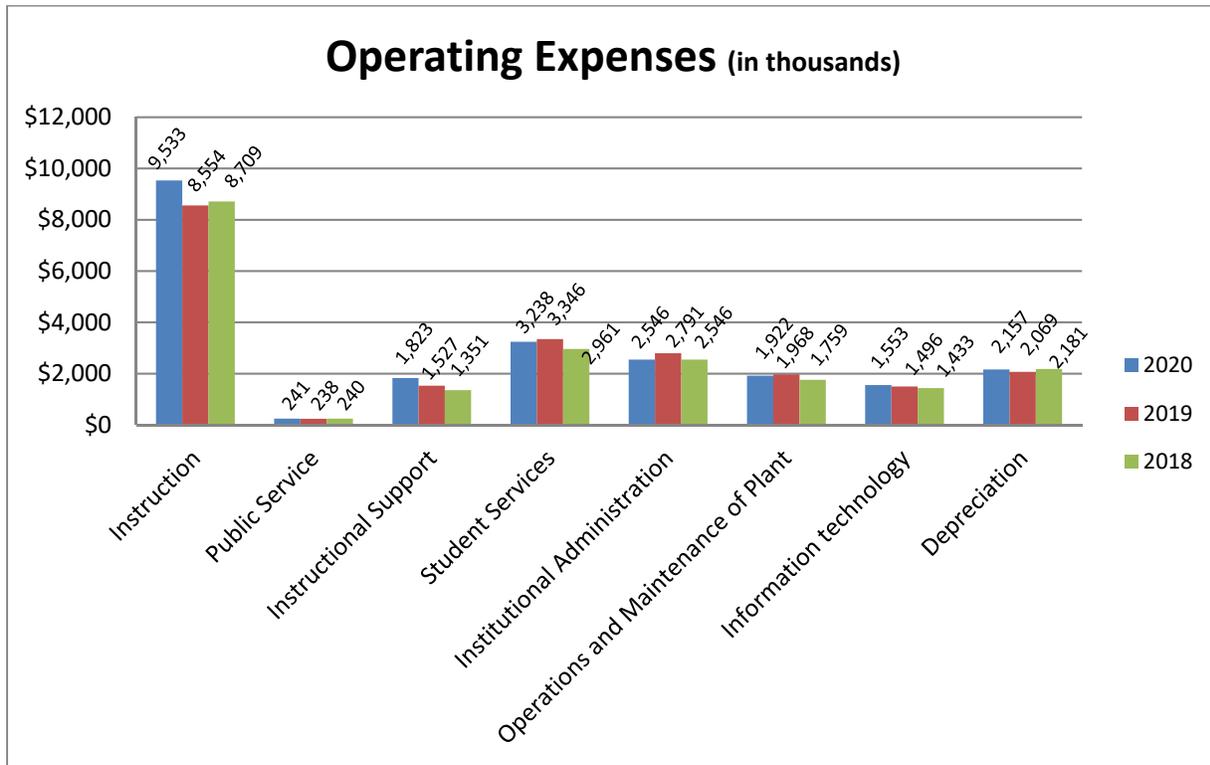
- Instruction expenses increased by approximately \$979,000, or 11.4% as a result of an increase in the unfunded defined benefit pension liability, the effect of the early retirement incentive plan and the occurrence of wage expenses directly related to the Covid-19 pandemic which will subsequently be reimbursed with CARES Act funding.
- Instructional support expenses increased by approximately \$296,000 or 19.4% due to the following: an increase transcription and captioning services due to the pandemic, full year effect of salaries for previously vacant positions, and an unfavorable GASB 68 adjustment due to the increase in the unfunded defined benefit pension liability.
- Student services expenses decreased by approximately \$108,000, or 3.2%, due to the following: decreased spending for Athletics transportation, decreased Federal SEOG grant expense, decreased federal work study expense and decreased capital outlay for items funded with Hannahville Indian Community 2% grants.
- Institutional administration expenses decreased by approximately \$245,000 or 8.8% as a result of the following: reduction in bond issuance costs and a decrease in salaries and wages expense due to the reallocation of employees to deal with pandemic related services.
- Depreciation expense increased by approximately \$88,000 or 4.3% due to the completion of the locker room building addition to the Physical Education Complex as well as other equipment purchases.

Changes in operating expenses from 2018 to 2019 were a result of the following factors:

- Instruction expenses decreased by approximately \$155,000, or 1.8% as a result of a reduction in full time faculty salaries due to several retirements.
- Instructional support expenses increased by approximately \$176,000 or 13% due to the following: additional personnel support for co-advising, full year effect of salaries for new or previously vacant positions, and a less favorable GASB 68 adjustment.
- Student services expenses increased by approximately \$385,000, or 13.0%, due to the following: increased spending for Athletics transportation, lodging, meals, contracted services and salaries and increased dual enrollment tuition discounts and Foundation scholarships.
- Institutional administration expenses increased by approximately \$245,000 or 9.6% as a result of the following: higher legal and accounting fees and increased contracted service fees.
- Operations and maintenance of plant expenses increased by approximately \$209,000 or 11.9% due to the following: housing costs for students, a less favorable GASB 68 adjustment, higher snow removal costs, new contract with a lawn care service, allocation of senior leadership salary expense and higher salary expense for custodial and maintenance staff.
- Depreciation expense decreased by approximately \$112,000 or 5.1% due to several large capital assets being fully depreciated in the current year.

# BAY DE NOC COMMUNITY COLLEGE

## MANAGEMENT'S DISCUSSION AND ANALYSIS



# BAY DE NOC COMMUNITY COLLEGE

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Statements of Cash Flows

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

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

#### Statements of cash flows (in thousands)

	2020	2019	2018
Net cash used in operating activities	\$(12,500)	\$(12,466)	\$(12,606)
Net cash provided by noncapital financing activities	15,343	14,978	14,773
Net cash used in capital and related financing activities	(2,843)	(138)	(2,127)
Net cash provided by investing activities	74	49	8
Increase in cash and cash equivalents	74	2,423	48
Cash and cash equivalents, beginning of year	8,037	5,614	5,566
Cash and cash equivalents, end of year	<u>\$ 8,111</u>	<u>\$ 8,037</u>	<u>\$ 5,614</u>

Changes in cash flows from 2019 to 2020 were a result of the following factors:

- The College receives the majority of its operating funds from student tuition and fees, grants and contracts. These sources are offset by expenditures for operations such as payments to employees and suppliers. Net cash used in operating activities increased by approximately \$34,000 from 2019. An increase in other operating receipts and a decrease in payments to employees was partially offset by an increase in payments to suppliers and a decrease in tuition and fee receipts.
- Net cash provided by noncapital financing activities remained consistent from 2019 to 2020 despite a reduction in gifts and donations and receipt of a Federal Higher Education Emergency Relief Fund grant.
- Net cash used in capital and related financing activities increased by approximately \$2.7 million due to no additional bond receipts partially offset by less spending on capital assets.

Changes in cash flows from 2018 to 2019 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 are offset by expenditures for operations such as payments to employees and suppliers. Net cash used in operating activities remained consistent from 2018 to 2019.
- Net cash provided by noncapital financing activities increased by approximately \$205,000 from 2018 due to a gift received from the Hannahville Indian Community partially offset by a reduction in State Appropriations.

# BAY DE NOC COMMUNITY COLLEGE

## MANAGEMENT'S DISCUSSION AND ANALYSIS

- Net cash used in capital and related financing activities decreased by approximately \$2.0 million due to proceeds from the issuance of facility bonds partially offset by the purchase of capital assets.

### Capital Assets

As of June 30, 2020, the College had \$30.7 million in capital assets, net of accumulated depreciation.

	Balance July 1, 2019	Additions	Retirements	Transfers	Balance June 30, 2020
Capital assets not being depreciated:					
Land	\$ 1,321,225	\$ -	\$ -	\$ -	\$ 1,321,225
Construction in progress	1,041,796	35,235	(155,000)	(886,797)	35,234
<b>Subtotal, non-depreciable capital assets</b>	<b>2,363,021</b>	<b>35,235</b>	<b>(155,000)</b>	<b>(886,797)</b>	<b>1,356,459</b>
Capital assets being depreciated:					
Land improvements	1,971,223	19,690	-	-	1,990,913
Infrastructure	265,180	-	-	-	265,180
Building and building improvements	47,654,248	898,369	-	886,797	49,439,414
Furniture, fixtures and equipment	23,214,287	652,547	(72,864)	-	23,793,970
Library materials	779,613	-	-	-	779,613
Vehicles	306,352	7,573	-	-	313,925
<b>Subtotal, depreciable capital assets</b>	<b>74,190,903</b>	<b>1,578,179</b>	<b>(72,864)</b>	<b>886,797</b>	<b>76,583,015</b>
<b>Total capital assets</b>	<b>76,553,924</b>	<b>1,613,414</b>	<b>(227,864)</b>	<b>-</b>	<b>77,939,474</b>
Less accumulated depreciation:					
Land improvements	1,508,002	79,633	-	-	1,587,635
Infrastructure	205,170	16,708	-	-	221,878
Building and building improvements	22,310,074	1,210,023	-	-	23,520,097
Furniture, fixtures and equipment	20,134,536	838,507	(72,864)	-	20,900,179
Library materials	779,613	-	-	-	779,613
Vehicles	257,681	12,243	-	-	269,924
<b>Total accumulated depreciation</b>	<b>45,195,076</b>	<b>2,157,114</b>	<b>(72,864)</b>	<b>-</b>	<b>47,279,326</b>
<b>Net depreciable capital assets</b>	<b>28,995,827</b>	<b>\$ (578,935)</b>	<b>\$ -</b>	<b>\$ 886,797</b>	<b>29,303,689</b>
<b>Capital assets, net</b>	<b>\$ 31,358,848</b>				<b>\$ 30,660,148</b>

# BAY DE NOC COMMUNITY COLLEGE

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As of June 30, 2019, the College had \$31.4 million in capital assets, net of accumulated depreciation.

	Balance July 1, 2018	Additions	Retirements	Transfers	Balance June 30, 2019
Capital assets not being depreciated:					
Land	\$ 1,321,225	\$ -	\$ -	\$ -	\$ 1,321,225
Construction in progress	21,653	1,036,996	-	(16,853)	1,041,796
<b>Subtotal, non-depreciable capital assets</b>	<b>1,342,878</b>	<b>1,036,996</b>	<b>-</b>	<b>(16,853)</b>	<b>2,363,021</b>
Capital assets being depreciated:					
Land improvements	1,836,608	134,615	-	-	1,971,223
Infrastructure	265,180	-	-	-	265,180
Building and building improvements	47,396,675	257,573	-	-	47,654,248
Furniture, fixtures and equipment	22,620,524	576,910	-	16,853	23,214,287
Library materials	779,613	-	-	-	779,613
Vehicles	306,352	-	-	-	306,352
<b>Subtotal, depreciable capital assets</b>	<b>73,204,952</b>	<b>969,098</b>	<b>-</b>	<b>16,853</b>	<b>74,190,903</b>
<b>Total capital assets</b>	<b>74,547,830</b>	<b>2,006,094</b>	<b>-</b>	<b>-</b>	<b>76,553,924</b>
Less accumulated depreciation:					
Land improvements	1,412,910	95,092	-	-	1,508,002
Infrastructure	188,462	16,708	-	-	205,170
Building and building improvements	21,134,131	1,175,943	-	-	22,310,074
Furniture, fixtures and equipment	19,363,972	770,564	-	-	20,134,536
Library materials	779,613	-	-	-	779,613
Vehicles	247,331	10,350	-	-	257,681
<b>Total accumulated depreciation</b>	<b>43,126,419</b>	<b>2,068,657</b>	<b>-</b>	<b>-</b>	<b>45,195,076</b>
<b>Net depreciable capital assets</b>	<b>30,078,533</b>	<b>\$ (1,099,559)</b>	<b>\$ -</b>	<b>\$ 16,853</b>	<b>28,995,827</b>
<b>Capital assets, net</b>	<b>\$ 31,421,411</b>				<b>\$ 31,358,848</b>

### Debt

The College had \$12,750,000 in bond debt outstanding at June 30, 2020. Debt principal repayments of \$815,000 were made on this debt during the year. More detailed information about the College's long-term liabilities is presented in the notes to the financial statements.

### Economic Factors that will Affect the Future

The coronavirus pandemic will affect the world in ways yet unknown. Fortunately, the College was able to rapidly move to remote teaching, learning and working during the campus closure due to the technology and staff already in place to support online activities.

Two of the three major causes of the College's decrease in net position for the fiscal year were due to circumstances outside the College's control. The State of Michigan reduced appropriations to all community colleges by 11% and the unfunded pension and OPEB liability increased by \$746,000 from approximately \$21,742,000 to approximately \$22,488,000. GASB 68, *Accounting and Financial Reporting for Pensions* and GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, require the College to record its proportionate share of the MPSERS pension and OPEB plan liabilities. The third major cause of the College's decrease in net position can be attributed to a one-time expense for an Early Retirement incentive offered by the College.

# BAY DE NOC COMMUNITY COLLEGE

## ■ MANAGEMENT'S DISCUSSION AND ANALYSIS

Despite the financial results for the 2019-2020 fiscal year, the College expects no long term negative financial impact as a result of the pandemic. In contrast, unlike other community colleges in Michigan, Bay College was the only college to see an increase in Fall 2020 enrollment (4%) over Fall 2019 enrollment.

One of the main feeders of enrollment for the College are the high schools in the central Upper Peninsula. The College tracks future graduating seniors for the top 19 high schools in this geographic area. The next 5 years reflect some fluctuation in the number of students graduating from these high schools. Following are the increases and (decreases) over the next five years: (10.23%), 2.60%, 4.20%, (14.18%), 3.42%. The College continually strives to supplement traditional student enrollment with non-traditional students as well as increasing its online presence.

The Bay de Noc Community College Foundation plays a vital role in the success of the College. Organized as a non-profit corporation in 1972, its purpose is to actively promote the educational and community benefits provided by the College and to encourage gifts and contributions to the Foundation as a means of directly supporting the College and providing financial support to students. With Net Assets of approximately \$11,583,000 at June 30, 2020, it provides nearly 300 scholarships each year and funds various projects and capital purchases of the College.

In addition to the degrees and certificates awarded annually to students, the College is a major economic driver in Delta County contributing over \$100 million annually to the local community. In an unwavering commitment to the success of the community by serving as an education, training and cultural enrichment facility, the College continues to extend the use of its facilities and technological resources to serve nonprofit organizations, businesses, and industry leaders with their critical training and meeting needs. The College is committed to community and student success, providing the opportunity for every resident of Delta and Dickinson Counties to earn an affordable high-quality college education that will lead to career readiness in high demand fields.

## **INDEPENDENT AUDITORS' REPORT**

**INDEPENDENT AUDITORS' REPORT**

November 6, 2020

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, 2020 and 2019, 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 reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the Foundation, are based solely on the reports 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

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, 2020 and 2019, 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.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules for the pension and other postemployment benefit plans and related notes to those schedules, 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 statements and the West Campus Schedules of Revenues, Expenses, Transfers and Changes in Net Position, as listed in the table of contents, are presented for purposes of additional analysis and are 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 basic 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 6, 2020 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 Lobson LLC*

## FINANCIAL STATEMENTS

# BAY DE NOC COMMUNITY COLLEGE

## Statements of Net Position

	June 30	
	2020	2019
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 5,781,688	\$ 5,007,362
Cash-restricted for capital improvements	1,864,293	2,642,240
Student receivables, net	56,712	60,551
State appropriations receivable	552,519	1,158,232
Grants receivable	286,389	102,087
Due from component unit	89,381	62,387
Other receivables, net	17,710	227,500
Prepays and other current assets	589,888	627,053
<b>Total current assets</b>	<b>9,238,580</b>	<b>9,887,412</b>
<b>Noncurrent assets</b>		
Cash-restricted for debt repayment	464,530	387,365
Capital assets not being depreciated	1,356,459	2,363,021
Capital assets being depreciated, net	29,303,689	28,995,827
<b>Total noncurrent assets</b>	<b>31,124,678</b>	<b>31,746,213</b>
<b>Total assets</b>	<b>40,363,258</b>	<b>41,633,625</b>
<b>Deferred outflows of resources</b>		
Deferred pension and OPEB amounts	6,326,012	6,450,164
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable	389,307	413,115
Accrued payroll and related liabilities	1,229,835	1,170,113
Unearned revenue	241,456	330,236
Interest payable	46,451	49,269
Other current liabilities	311,147	313,891
Current portion of accrued employee benefits payable	269,839	-
Current portion of long-term debt	870,000	815,000
<b>Total current liabilities</b>	<b>3,358,035</b>	<b>3,091,624</b>
<b>Noncurrent liabilities</b>		
Long-term debt, net of current portion	11,880,000	12,750,000
Accrued employee benefits payable, net of current portion	697,143	507,077
Net pension and OPEB liabilities	22,487,650	21,742,139
<b>Total noncurrent liabilities</b>	<b>35,064,793</b>	<b>34,999,216</b>
<b>Total liabilities</b>	<b>38,422,828</b>	<b>38,090,840</b>
<b>Deferred inflows of resources</b>		
Deferred pension and OPEB amounts	3,535,086	3,711,407
<b>Net position</b>		
Net investment in capital assets	19,774,441	20,436,088
Restricted	464,530	387,365
Unrestricted deficit (Note 1)	(15,507,615)	(14,541,911)
<b>Total net position</b>	<b>\$ 4,731,356</b>	<b>\$ 6,281,542</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	
	2020	2019
<b>Operating revenues</b>		
Tuition and fees	\$ 8,316,656	\$ 8,189,923
Scholarship allowance	(2,425,406)	(2,015,805)
Net tuition and fees	5,891,250	6,174,118
Federal grants and contracts	673,308	697,981
State and local grants and contracts	55,290	37,697
Sales and service of auxiliary activities, net of scholarship allowance of \$57,356 (\$87,307 for 2019)	320,048	275,532
Other operating revenues	252,079	228,929
<b>Total operating revenues</b>	<b>7,191,975</b>	<b>7,414,257</b>
<b>Operating expenses</b>		
Instruction	9,532,672	8,554,632
Public service	240,802	237,846
Instructional support	1,822,756	1,527,625
Student services	3,237,858	3,346,173
Institutional administration	2,546,114	2,790,523
Operations and maintenance of plant	1,921,857	1,968,242
Information technology	1,553,697	1,495,512
Depreciation	2,157,114	2,068,657
<b>Total operating expenses</b>	<b>23,012,870</b>	<b>21,989,210</b>
<b>Operating loss</b>	<b>(15,820,895)</b>	<b>(14,574,953)</b>
<b>Nonoperating revenues (expenses)</b>		
State appropriations	6,128,747	6,542,267
Property tax levy	3,922,048	3,779,729
Property taxes from Dickinson County	1,086,141	1,064,705
Pell grants	2,624,551	2,577,467
Federal Higher Education Emergency Relief Fund grant	530,294	-
Support from component unit	511,579	525,955
Private gifts, grants and contracts	265,552	533,835
Contributions to the YMCA	(305,000)	-
Interest income	73,598	49,078
Loss on disposal of capital assets	(155,000)	-
Interest on capital asset - related debt	(411,801)	(383,994)
<b>Net nonoperating revenues</b>	<b>14,270,709</b>	<b>14,689,042</b>
<b>(Decrease) increase in net position</b>	<b>(1,550,186)</b>	<b>114,089</b>
Net position, beginning of year	6,281,542	6,167,453
<b>Net position, end of year</b>	<b>\$ 4,731,356</b>	<b>\$ 6,281,542</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	
	2020	2019
<b>Cash flows from operating activities</b>		
Tuition and fees	\$ 5,925,487	\$ 6,255,171
Grants and other contracts	425,118	676,463
Auxiliary activities and other revenue	320,048	275,532
Payments to employees	(8,328,471)	(8,851,863)
Payments to suppliers	(11,300,959)	(10,951,008)
Other operating receipts	459,125	129,455
<b>Net cash used in operating activities</b>	<b>(12,499,652)</b>	<b>(12,466,250)</b>
<b>Cash flows from noncapital financing activities</b>		
State appropriations	6,734,460	6,517,350
Local property taxes and Dickinson County contract	5,008,189	4,844,434
Pell grants	2,624,551	2,577,467
Federal Higher Education Emergency Relief Fund grant	530,294	-
Federal direct lending receipts	2,635,707	2,767,075
Federal direct lending disbursements	(2,635,707)	(2,767,075)
Gifts and donations	445,137	1,038,487
<b>Net cash provided by noncapital financing activities</b>	<b>15,342,631</b>	<b>14,977,738</b>
<b>Cash flows from capital and related financing activities</b>		
Purchase of capital assets	(1,613,414)	(2,006,094)
Principal paid on long-term debt	(815,000)	(745,000)
Interest paid on capital asset - related debt	(414,619)	(386,735)
Proceeds from issuance of facility bonds	-	3,000,000
<b>Net cash used in capital and related financing activities</b>	<b>(2,843,033)</b>	<b>(137,829)</b>
<b>Cash flows provided by investing activities</b>		
Interest received on bank deposits	73,598	49,078
<b>Net increase in cash and cash equivalents</b>	<b>73,544</b>	<b>2,422,737</b>
Cash and cash equivalents, beginning of year	8,036,967	5,614,230
<b>Cash and cash equivalents, end of year</b>	<b>\$ 8,110,511</b>	<b>\$ 8,036,967</b>
<b>Reconciliation to statements of net position</b>		
Cash and cash equivalents	\$ 5,781,688	\$ 5,007,362
Cash-restricted for capital improvements	1,864,293	2,642,240
Cash-restricted for debt repayment	464,530	387,365
<b>Cash and cash equivalents, end of year</b>	<b>\$ 8,110,511</b>	<b>\$ 8,036,967</b>

Continued...

# BAY DE NOC COMMUNITY COLLEGE

## Statements of Cash Flows (Concluded)

	Year Ended June 30	
	2020	2019
<b>Reconciliation of operating loss to net cash used in operating activities:</b>		
Operating loss	\$ (15,820,895)	\$ (14,574,953)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	2,157,114	2,068,657
Change in operating assets and liabilities which provided (used) cash:		
Student receivables	3,839	(12,875)
Grants receivable	(184,302)	(4,743)
Other receivables	209,790	(113,303)
Prepays and other current assets	37,165	(100,609)
Accounts payable	(23,808)	180,260
Accrued payroll and related liabilities	59,722	(3,209)
Unearned revenue	(88,780)	39,456
Accrued employee benefits payable	459,905	(71,311)
Other current liabilities	(2,744)	13,829
Net pension and OPEB liabilities and deferred amounts	693,342	112,551
<b>Net cash used in operating activities</b>	<b><u>\$ (12,499,652)</u></b>	<b><u>\$ (12,466,250)</u></b> concluded

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

## BAY DE NOC COMMUNITY COLLEGE FOUNDATION - Component Unit

### Statements of Financial Position

	June 30	
	2020	2019
<b>Assets</b>		
Cash and cash equivalents	\$ 993,188	\$ 942,774
Accrued income receivable and other assets	39,916	34,472
Contributions receivable	19,053	6,009
Investments	9,267,661	9,125,616
Beneficial interest in trust assets	1,971,352	1,961,908
Beneficial interest in charitable remainder trusts	81,704	84,369
<b>Total assets</b>	<b><u>\$ 12,372,874</u></b>	<b><u>\$ 12,155,148</u></b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accrued expenses	\$ 10,500	\$ 9,500
Due to Bay de Noc Community College	89,381	62,387
Due to William Bonifas Fine Arts Center	689,840	703,181
<b>Total liabilities</b>	<b><u>789,721</u></b>	<b><u>775,068</u></b>
<b>Net assets</b>		
Without donor restrictions	930,634	903,568
With donor restrictions	10,652,519	10,476,512
<b>Total net assets</b>	<b><u>11,583,153</u></b>	<b><u>11,380,080</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 12,372,874</u></b>	<b><u>\$ 12,155,148</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	
	2020	2019
<b>Revenue</b>		
Contributions	\$ 321,703	\$ 530,637
Investment income, net	384,734	570,093
Event income	21,079	44,245
Contributed professional services	125,005	-
Gain on beneficial interest in trusts	84,151	97,168
	<u>936,672</u>	<u>1,242,143</u>
<b>Expenses</b>		
Program:		
Scholarships	460,911	428,784
Other	120,554	117,952
Supporting services	152,134	31,628
	<u>733,599</u>	<u>578,364</u>
<b>Change in net assets</b>	<b>203,073</b>	<b>663,779</b>
Net assets, beginning of year	11,380,080	10,716,301
<b>Net assets, end of year</b>	<b><u>\$ 11,583,153</u></b>	<b><u>\$ 11,380,080</u></b>

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

# BAY DE NOC COMMUNITY COLLEGE

## Notes to Financial Statements

### 1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Reporting Entity

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

The accompanying financial statements as of and for the years ended June 30, 2020 and 2019 include the accounts of all funds of the College and Bay de Noc Community College Foundation (the "Foundation"). The Foundation is considered a component unit of the College in accordance with Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus*. The College reports financial information for the Foundation using a discrete rather than blended presentation because certain criteria are met, including the individual trustees of the Foundation are independently appointed by the Foundation's Board of Trustees. The Foundation is considered a component unit because the Foundation provides support entirely, or almost entirely, to the College through financial support to students.

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

#### Risks and Economic Uncertainties

The outbreak of a novel coronavirus (COVID-19), which the World Health Organization declared in March 2020 to be a pandemic, continues to spread throughout the United States of America and the globe. Due to the pandemic Michigan's Governor issued temporary Executive Orders that, among other stipulations, effectively prohibit certain in-person activities while requiring numerous safety measures and protocols to be met in order to resume in person learning, having the effect of suspending or severely curtailing certain operations including on-campus learning during the spring/summer/fall 2020 semesters. The extent of the ultimate impact of the pandemic on the College's operational and financial performance will depend on various developments, including the duration and spread of the outbreak, and its impact on funders, students, employees, and vendors, all of which cannot be reasonably predicted at this time. In response to the pandemic, the College was allocated funding in the amount of \$778,116 through the Federal CARES Act for Higher Education Emergency Relief Fund ("HEERF"), which was enacted into law on March 28, 2020. Subsequent to the College's fiscal year end, funding in the amount of \$627,900 was received from the State of Michigan. These CARES Act funds were passed through the State as a supplement to help offset the reductions to State general appropriations and there are restrictions on how and when these funds can be spent. Additionally, the College transitioned its in-person instruction to an online format and suspended on-site operations in March 2020. The facilities were reopened in July 2020 and in-person instruction resumed in September 2020. While management reasonably expects the COVID-19 outbreak to negatively impact the College's financial condition, operating results, and timing and amounts of cash flows, the related financial consequences and duration are highly uncertain.

# BAY DE NOC COMMUNITY COLLEGE

## Notes to Financial Statements

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

#### **Cash and Cash Equivalents**

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

#### **Cash-Restricted for Capital Improvements and Debt**

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

# BAY DE NOC COMMUNITY COLLEGE

## Notes to Financial Statements

### 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 \$132,000 and \$140,000 at June 30, 2020 and 2019, respectively. The bad debt allowance for other receivables was approximately \$1,600 and \$281,000 at June 30, 2020 and 2019, respectively.

### Capital Assets and Depreciation

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

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

### Unearned Revenue

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

### Deferred Outflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net 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 and other postemployment benefits ("OPEB")-related amounts, such as differences between expected and actual experience, changes in assumptions, changes in proportion and differences between employer contributions and proportionate share of contributions, and certain contributions made to the plan subsequent to the measurement date. More detailed information can be found in Note 6.

# BAY DE NOC COMMUNITY COLLEGE

## Notes to Financial Statements

### **Deferred Inflows of Resources**

In addition to liabilities, the statements of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net 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 resources for certain pension and OPEB-related amounts, such as the difference between expected and actual experience, net difference between projected and actual earnings on plan investments, changes in proportion and differences between employer contributions and proportionate share of contributions, and state appropriations for pensions received subsequent to the measurement date. More detailed information can be found in Note 6.

### **Pension and Other Postemployment Benefits ("OPEB") Liabilities**

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

### **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 2020 includes property taxes that were levied on July 1, 2019 and December 1, 2019, which are generally collected before March 1, 2020. Uncollected real property taxes of the College are turned over to Delta County for subsequent collection. State appropriations are recorded as revenue in the period for which they are appropriated. Changes to State appropriations are recorded in the College's fiscal year in which the changes are approved by the State legislature.

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

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

# 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:

	2020	2019
Salaries and wages	\$ 9,796,616	\$ 9,643,505
Benefits	5,734,034	5,186,094
Capital under \$5,000	153,040	131,472
Pell and other scholarships	1,683,923	895,942
Professional services	802,829	890,631
Rent, utilities and insurance	1,021,198	1,056,699
Supplies and materials	562,407	658,303
Travel and professional development	1,005,122	1,373,120
Bad debt expense	96,587	84,787
Depreciation	2,157,114	2,068,657
<b>Total operating expenses</b>	<b>\$ 23,012,870</b>	<b>\$ 21,989,210</b>

### Net Position

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

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

	2020	2019
Auxiliary fund	\$ 1,249,699	\$ 1,042,714
Plant fund	(7,887,715)	(7,007,441)
Pension and OPEB liability	(19,696,724)	(19,003,382)
Undesignated	10,827,125	10,426,198
<b>Total unrestricted net deficit</b>	<b>\$ (15,507,615)</b>	<b>\$ (14,541,911)</b>

### Internal Services Activities

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

# BAY DE NOC COMMUNITY COLLEGE

## Notes to Financial Statements

### 2. CASH AND CASH EQUIVALENTS

#### **College Deposits and Investments**

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

#### **Custodial Credit Risk**

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

At June 30, 2020 and 2019, the carrying amount of cash deposits at banks for the College totaled \$8,110,511 and \$8,036,967, respectively, while the bank balances totaled \$8,248,372 and \$8,276,725, respectively. Of the bank balances, \$500,000 was insured at both June 30, 2020 and 2019, and the remaining \$7,748,372 and \$7,776,725, respectively, was uninsured and uncollateralized.

# BAY DE NOC COMMUNITY COLLEGE

## Notes to Financial Statements

### 3. CAPITAL ASSETS

The following presents the changes in the various capital asset categories for the year ended June 30, 2020:

	Balance July 1, 2019	Additions	Retirements	Transfers	Balance June 30, 2020
Capital assets not being depreciated:					
Land	\$ 1,321,225	\$ -	\$ -	\$ -	\$ 1,321,225
Construction in progress	1,041,796	35,235	(155,000)	(886,797)	35,234
<b>Subtotal, nondepreciable capital assets</b>	<b>2,363,021</b>	<b>35,235</b>	<b>(155,000)</b>	<b>(886,797)</b>	<b>1,356,459</b>
Capital assets being depreciated:					
Land improvements	1,971,223	19,690	-	-	1,990,913
Infrastructure	265,180	-	-	-	265,180
Building and building improvements	47,654,248	898,369	-	886,797	49,439,414
Furniture, fixtures and equipment	23,214,287	652,547	(72,864)	-	23,793,970
Library materials	779,613	-	-	-	779,613
Vehicles	306,352	7,573	-	-	313,925
<b>Subtotal, depreciable capital assets</b>	<b>74,190,903</b>	<b>1,578,179</b>	<b>(72,864)</b>	<b>886,797</b>	<b>76,583,015</b>
<b>Total capital assets</b>	<b>76,553,924</b>	<b>1,613,414</b>	<b>(227,864)</b>	<b>-</b>	<b>77,939,474</b>
Less accumulated depreciation:					
Land improvements	1,508,002	79,633	-	-	1,587,635
Infrastructure	205,170	16,708	-	-	221,878
Building and building improvements	22,310,074	1,210,023	-	-	23,520,097
Furniture, fixtures and equipment	20,134,536	838,507	(72,864)	-	20,900,179
Library materials	779,613	-	-	-	779,613
Vehicles	257,681	12,243	-	-	269,924
<b>Total accumulated depreciation</b>	<b>45,195,076</b>	<b>2,157,114</b>	<b>(72,864)</b>	<b>-</b>	<b>47,279,326</b>
<b>Net depreciable capital assets</b>	<b>28,995,827</b>	<b>\$ (578,935)</b>	<b>\$ -</b>	<b>\$ 886,797</b>	<b>29,303,689</b>
<b>Capital assets, net</b>	<b>\$ 31,358,848</b>				<b>\$ 30,660,148</b>

# BAY DE NOC COMMUNITY COLLEGE

## Notes to Financial Statements

The following presents the changes in the various capital asset categories for the year ended June 30, 2019:

	Balance July 1, 2018	Additions	Retirements	Transfers	Balance June 30, 2019
Capital assets not being depreciated:					
Land	\$ 1,321,225	\$ -	\$ -	\$ -	\$ 1,321,225
Construction in progress	21,653	1,036,996	-	(16,853)	1,041,796
<b>Subtotal, nondepreciable capital assets</b>	<b>1,342,878</b>	<b>1,036,996</b>	<b>-</b>	<b>(16,853)</b>	<b>2,363,021</b>
Capital assets being depreciated:					
Land improvements	1,836,608	134,615	-	-	1,971,223
Infrastructure	265,180	-	-	-	265,180
Building and building improvements	47,396,675	257,573	-	-	47,654,248
Furniture, fixtures and equipment	22,620,524	576,910	-	16,853	23,214,287
Library materials	779,613	-	-	-	779,613
Vehicles	306,352	-	-	-	306,352
<b>Subtotal, depreciable capital assets</b>	<b>73,204,952</b>	<b>969,098</b>	<b>-</b>	<b>16,853</b>	<b>74,190,903</b>
<b>Total capital assets</b>	<b>74,547,830</b>	<b>2,006,094</b>	<b>-</b>	<b>-</b>	<b>76,553,924</b>
Less accumulated depreciation:					
Land improvements	1,412,910	95,092	-	-	1,508,002
Infrastructure	188,462	16,708	-	-	205,170
Building and building improvements	21,134,131	1,175,943	-	-	22,310,074
Furniture, fixtures and equipment	19,363,972	770,564	-	-	20,134,536
Library materials	779,613	-	-	-	779,613
Vehicles	247,331	10,350	-	-	257,681
<b>Total accumulated depreciation</b>	<b>43,126,419</b>	<b>2,068,657</b>	<b>-</b>	<b>-</b>	<b>45,195,076</b>
<b>Net depreciable capital assets</b>	<b>30,078,533</b>	<b>\$ (1,099,559)</b>	<b>\$ -</b>	<b>\$ 16,853</b>	<b>28,995,827</b>
<b>Capital assets, net</b>	<b>\$ 31,421,411</b>				<b>\$ 31,358,848</b>

# BAY DE NOC COMMUNITY COLLEGE

## Notes to Financial Statements

### 4. LONG-TERM LIABILITIES (INCLUDING SUBSEQUENT EVENT)

Changes in long-term liabilities for the year ended June 30, 2020 are as follows:

	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020	Current Portion
<b>Bonds payable</b>					
Facilities bonds of 2015	\$ 2,995,000	\$ -	\$ (160,000)	\$ 2,835,000	\$ 165,000
Refunding facilities bonds of 2016	3,475,000	-	(395,000)	3,080,000	405,000
Facilities bonds of 2016	4,095,000	-	(210,000)	3,885,000	220,000
Facility bonds of 2018	3,000,000	-	(50,000)	2,950,000	80,000
Total bonds payable	13,565,000	-	(815,000)	12,750,000	870,000
<b>Other long-term obligations</b>					
Employee severance plan	-	539,677	-	539,677	269,839
Other accrued employee benefits payable	507,077	-	(79,772)	427,305	-
	507,077	539,677	(79,772)	966,982	269,839
<b>Total long-term obligations</b>	<b>\$ 14,072,077</b>	<b>\$ 539,677</b>	<b>\$ (894,772)</b>	<b>\$ 13,716,982</b>	<b>\$ 1,139,839</b>

Changes in long-term liabilities for the year ended June 30, 2019 are as follows:

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019	Current Portion
<b>Bonds payable</b>					
Facilities bonds of 2015	\$ 3,150,000	\$ -	\$ (155,000)	\$ 2,995,000	\$ 160,000
Refunding facilities bonds of 2016	3,860,000	-	(385,000)	3,475,000	395,000
Facilities bonds of 2016	4,300,000	-	(205,000)	4,095,000	210,000
Facility bonds of 2018	-	3,000,000	-	3,000,000	50,000
Total bonds payable	11,310,000	3,000,000	(745,000)	13,565,000	815,000
<b>Other long-term obligations</b>					
Other accrued employee benefits payable	578,388	3,405	(74,716)	507,077	-
<b>Total long-term obligations</b>	<b>\$ 11,888,388</b>	<b>\$ 3,003,405</b>	<b>\$ (819,716)</b>	<b>\$ 14,072,077</b>	<b>\$ 815,000</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. The 2006 General Obligation Facilities Bonds are considered defeased and the liability has been removed from the statement of net position. At June 30, 2020 and 2019, 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 2.6% and mature in 2034.

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

On November 18, 2020, the College expects to issue 2020 College Facilities Bonds in the amount of \$2,800,000 to be used for critical infrastructure improvements. The bonds carry an interest rate of 2.39%.

Future debt service requirements on bonds payable for years ending after June 30, 2020 are as follows:

Year Ending June 30	Principal	Interest	Total
2021	\$ 870,000	\$ 395,119	\$ 1,265,119
2022	900,000	370,319	1,270,319
2023	925,000	344,719	1,269,719
2024	960,000	318,369	1,278,369
2025	985,000	291,019	1,276,019
2026-2030	3,880,000	1,053,944	4,933,944
2031-2035	2,895,000	510,056	3,405,056
2036-2040	785,000	191,100	976,100
2041-2043	550,000	33,600	583,600
	<u>\$ 12,750,000</u>	<u>\$ 3,508,245</u>	<u>\$ 16,258,245</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 Michigan Public School Employees' Retirement System (the "System" or "MPSERS") is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (the "State") originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members - eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

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

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

The System's financial statements are available at the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

##### *Pension Benefits Provided*

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

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

# BAY DE NOC COMMUNITY COLLEGE

## Notes to Financial Statements

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

### *Other Postemployment Benefits Provided*

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

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

# BAY DE NOC COMMUNITY COLLEGE

## Notes to Financial Statements

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

### Contributions

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2018 valuation will be amortized over a 20-year period beginning October 1, 2018 and ending September 30, 2038.

The table below summarizes pension contribution rates in effect for fiscal year 2020, which excludes supplemental MPSERS UAAL employer stabilization contributions that are passed through the College to MPSERS based on rates ranging from 12.21% - 12.41% on prior year covered payroll:

Benefit Structure	Member Rates	Employer Rates
Basic	0.00% - 4.00%	18.25% - 19.41%
Member Investment Plan (MIP)	3.00% - 7.00%	18.25% - 19.41%
Pension Plus	3.00% - 6.40%	16.46%
Pension Plus 2	6.20%	19.59%
Defined Contribution	0.00%	13.39%

Required contributions to the pension plan from the College were \$1,437,448, \$1,499,514 and \$1,486,300 for the years ended June 30, 2020, 2019 and 2018, respectively.

The table below summarizes OPEB contribution rates in effect for fiscal year 2020:

Benefit Structure	Member Rates	Employer Rates
Premium Subsidy	3.00%	7.93% - 8.09%
Personal Healthcare Fund (PHF)	0.00%	7.57%

# BAY DE NOC COMMUNITY COLLEGE

## Notes to Financial Statements

Required contributions to the OPEB plan from the College were \$352,249, \$373,447 and \$367,053 for the years ended June 30, 2020, 2019 and 2018, respectively.

The table below summarizes defined contribution rates in effect for fiscal year 2020:

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

Required and actual contributions from the College for those members with a defined contribution benefit were \$34,849, \$38,610 and \$33,600 for the years ended June 30, 2020, 2019 and 2018, respectively.

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

At June 30, 2020 and 2019, the College reported a liability of \$18,602,589 and \$17,153,428, respectively, for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2019 and 2018, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2018 and 2017, 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, 2019, the College's proportion was 0.05617%, which was a decrease of 0.00089% points from its proportion measured as of September 30, 2018 of 0.05706%.

# BAY DE NOC COMMUNITY COLLEGE

## Notes to Financial Statements

For the year ended June 30, 2020, the College recognized pension expense of \$2,449,456. At June 30, 2020, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

2020	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ 83,383	\$ 77,571	\$ 5,812
Changes in assumptions	3,642,400	-	3,642,400
Net difference between projected and actual earnings on pension plan investments	-	596,181	(596,181)
Changes in proportion and differences between employer contributions and proportionate share of contributions	126,370	478,756	(352,386)
	<u>3,852,153</u>	<u>1,152,508</u>	<u>2,699,645</u>
College contributions subsequent to the measurement date	1,274,416	-	1,274,416
Pension portion of Sec 147c state aid award subsequent to the measurement date	-	622,640	(622,640)
	<u>1,274,416</u>	<u>622,640</u>	<u>651,776</u>
<b>Total</b>	<b><u>\$ 5,126,569</u></b>	<b><u>\$ 1,775,148</u></b>	<b><u>\$ 3,351,421</u></b>

The \$1,274,416 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, 2021. The \$622,640 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2021	\$ 974,853
2022	898,043
2023	600,729
2024	226,020
<b>Total</b>	<b><u>\$ 2,699,645</u></b>

# BAY DE NOC COMMUNITY COLLEGE

## Notes to Financial Statements

For the year ended June 30, 2019, the College recognized pension expense of \$1,732,447. At June 30, 2019, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

2019	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ 79,595	\$ 124,651	\$ (45,056)
Changes in assumptions	3,972,720	-	3,972,720
Net difference between projected and actual earnings on pension plan investments	-	1,172,858	(1,172,858)
Changes in proportion and differences between employer contributions and proportionate share of contributions	176,796	723,310	(546,514)
	<u>4,229,111</u>	<u>2,020,819</u>	<u>2,208,292</u>
College contributions subsequent to the measurement date	1,334,104	-	1,334,104
Pension portion of Sec 147c state aid award subsequent to the measurement date	-	659,123	(659,123)
	<u>1,334,104</u>	<u>659,123</u>	<u>674,981</u>
<b>Total</b>	<b><u>\$ 5,563,215</u></b>	<b><u>\$ 2,679,942</u></b>	<b><u>\$ 2,883,273</u></b>

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

At June 30, 2020 and 2019, the College reported a liability of \$3,885,061 and \$4,588,711, respectively, for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2019 and 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by actuarial valuations rolled forward from September 30, 2018 and 2017. The College's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2019, the College's proportion was 0.05413% which was a decrease of 0.00360% points from its proportion measured as of September 30, 2018 of 0.05773%.

# BAY DE NOC COMMUNITY COLLEGE

## Notes to Financial Statements

For the year ended June 30, 2020, the College recognized OPEB expense of \$64,255. At June 30, 2020, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

2020	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ -	\$ 1,425,539	\$ (1,425,539)
Changes in assumptions	841,814	-	841,814
Net difference between projected and actual earnings on OPEB plan investments	-	67,563	(67,563)
Changes in proportion and differences between employer contributions and proportionate share of contributions	77,766	266,836	(189,070)
	<u>919,580</u>	<u>1,759,938</u>	<u>(840,358)</u>
College contributions subsequent to the measurement date	279,863	-	279,863
	<u>279,863</u>	<u>-</u>	<u>279,863</u>
<b>Total</b>	<b><u>\$ 1,199,443</u></b>	<b><u>\$ 1,759,938</u></b>	<b><u>\$ (560,495)</u></b>

The \$279,863 reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Amount
2021	\$ (215,984)
2022	(215,984)
2023	(182,229)
2024	(138,357)
2025	<u>(87,804)</u>
<b>Total</b>	<b><u>\$ (840,358)</u></b>

# BAY DE NOC COMMUNITY COLLEGE

## Notes to Financial Statements

For the year ended June 30, 2019, the College recognized OPEB expense of \$245,356. At June 30, 2019, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

2019	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ -	\$ 854,077	\$ (854,077)
Changes in assumptions	485,947	-	485,947
Net difference between projected and actual earnings on OPEB plan investments	-	176,355	(176,355)
Changes in proportion and differences between employer contributions and proportionate share of contributions	99,357	1,033	98,324
	<u>585,304</u>	<u>1,031,465</u>	<u>(446,161)</u>
College contributions subsequent to the measurement date	301,645	-	301,645
	<u>301,645</u>	<u>-</u>	<u>301,645</u>
<b>Total</b>	<u><u>\$ 886,949</u></u>	<u><u>\$ 1,031,465</u></u>	<u><u>\$ (144,516)</u></u>

### Actuarial Assumptions

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

The total pension and OPEB liabilities in the September 30, 2018 and 2017 actuarial valuation (for the fiscal year ended June 30, 2020 and 2019, respectively) were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age, normal
Wage inflation	2.75%
Investment rate of return	
MIP and Basic plans (non-hybrid)	6.80% (7.05% for 2017)
Pension Plus plan (hybrid)	6.80% (7.00% for 2017)
Pension Plus 2 plan (hybrid)	6.00%
OPEB plans	6.95% (7.15% for 2017)
Projected salary increases	2.75% - 11.55%, including wage inflation at 2.75%
Cost of living adjustments	3.0% annual non-compounded for MIP members
Healthcare cost trend	7.5% Year 1 graded to 3.5% Year 12 (7.5% Year 1 graded to 3.0% Year 12 for 2017)

# BAY DE NOC COMMUNITY COLLEGE

## Notes to Financial Statements

Mortality	<p>2018 - RP-2014 Male and Female Employee Annuitant Mortality Tables, adjusted for mortality improvements using projection scale MP-2017 from 2006. For retirees, the tables were scaled by 82% for males and 78% for females. For active members, 100% of the table rates were used for both males and females.</p> <p>2017 - RP-2014 Male and Female Healthy Annuitant Mortality Tables, adjusted for mortality improvements using projection scale MP-2017 from 2006. For retirees, the tables were scaled by 82% for males and 78% for females. For active members, 100% of the table rates were used for both males and females.</p>
Other OPEB assumptions:	
Opt out assumptions	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt-out of the retiree health plan.
Survivor coverage	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death.
Coverage election at retirement	75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total pension liability as of September 30, 2019, is based on the results of an actuarial valuation date of September 30, 2018, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for pension liabilities is 4.4977 years which is the average of the expected remaining service lives of all employees. The recognition period for OPEB liabilities is 5.7101 years which is the average of the expected remaining service lives of all employees. The recognition period for assets is 5 years.

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2017 valuation. The total pension and OPEB liabilities as of September 30, 2018, are based on the results of an actuarial valuation date of September 30, 2017, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for pension liabilities is 4.5304 years which is the average of the expected remaining service lives of all employees. The recognition period for OPEB liabilities is 5.6018 years which is the average of the expected remaining service lives of all employees. The recognition period for assets is 5 years.

# BAY DE NOC COMMUNITY COLLEGE

## Notes to Financial Statements

### Long-Term Expected Return on Pension Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2019 and 2018, are summarized in the following tables:

2019			
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	28.00%	5.50%	1.54%
Private equity pools	18.00%	8.60%	1.55%
International equity pools	16.00%	7.30%	1.17%
Fixed income pools	10.50%	1.20%	0.13%
Real estate and infrastructure pools	10.00%	4.20%	0.42%
Absolute return pools	15.50%	5.40%	0.84%
Short-term investment pools	2.00%	0.08%	0.00%
	<b>100.00%</b>		5.65%
Inflation			2.30%
Risk adjustment			-1.15%
<b>Investment rate of return</b>			<b>6.80%</b>
2018			
Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	28.00%	5.70%	1.60%
Alternative investment pools	18.00%	9.20%	1.66%
International equity	16.00%	7.20%	1.15%
Fixed income pools	10.50%	0.50%	0.05%
Real estate and infrastructure pools	10.00%	3.90%	0.39%
Absolute return pools	15.50%	5.20%	0.81%
Short-term investment pools	2.00%	0.00%	0.00%
	<b>100.00%</b>		5.66%
Inflation			2.30%
Risk adjustment			-0.91%
<b>Investment rate of return</b>			<b>7.05%</b>

# BAY DE NOC COMMUNITY COLLEGE

## Notes to Financial Statements

### Long-Term Expected Return on OPEB Plan Assets

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2019 and 2018, are summarized in the following tables:

2019			
	Asset Class	Target Allocation	Long-term Expected Real Rate of Return
	Domestic equity pools	28.00%	5.50%
	Private equity pools	18.00%	8.60%
	International equity	16.00%	7.30%
	Fixed income pools	10.50%	1.20%
	Real estate and infrastructure pools	10.00%	4.20%
	Absolute return pools	15.50%	5.40%
	Short-term investment pools	2.00%	0.08%
		<b>100.00%</b>	
			5.65%
	Inflation		2.30%
	Risk adjustment		-1.00%
	<b>Investment rate of return</b>		<b>6.95%</b>

2018			
	Asset Class	Target Allocation	Long-term Expected Real Rate of Return
	Domestic equity pools	28.00%	5.70%
	Alternative investment pools	18.00%	9.20%
	International equity	16.00%	7.20%
	Fixed income pools	10.50%	0.50%
	Real estate and infrastructure pools	10.00%	3.90%
	Absolute return pools	15.50%	5.20%
	Short-term investment pools	2.00%	0.00%
		<b>100.00%</b>	
			5.66%
	Inflation		2.30%
	Risk adjustment		-0.81%
	<b>Investment rate of return</b>		<b>7.15%</b>

# BAY DE NOC COMMUNITY COLLEGE

## Notes to Financial Statements

### *Rate of Return*

For the fiscal year ended September 30, 2019, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 5.14% and 5.37%, respectively. For the fiscal year ended September 30, 2018, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 11.11% and 10.75%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

### *Discount Rate*

A discount rate of 6.80% (7.05% for 2019) was used to measure the total pension liability (6.80% for the Pension Plus plan (7.0% for 2019), 6.0% for the Pension Plus 2 plan, both of which are hybrid plans provided through non-university employers only) and a discount rate of 6.95% (7.15% for 2019) was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on pension and OPEB plan investments of 6.80% (7.05% for 2019) (6.80% for the Pension Plus plan (7.0% for 2019), 6.0% for the Pension Plus 2 plan) and 6.95% (7.15% for 2019), respectively. The projection of cash flows used to determine these discount rates assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension and OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension and OPEB liabilities.

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

The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 6.80% (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan), as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher as of June 30, 2020:

	1% Decrease (5.80% / 5.80% / 5.00%)	Current Discount Rate (6.80% / 6.80% / 6.00%)	1% Increase (7.80% / 7.80% / 7.00%)
College's proportionate share of the net pension liability	\$ 24,184,556	\$ 18,602,589	\$ 13,974,946

# BAY DE NOC COMMUNITY COLLEGE

## Notes to Financial Statements

The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 7.05% (7.0% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan), as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher as of June 30, 2019:

	1% Decrease (6.05% / 6.00% / 5.00%)	Current Discount Rate (7.05% / 7.00% / 6.00%)	1% Increase (8.05% / 8.00% / 7.00%)
College's proportionate share of the net pension liability	\$ 22,521,127	\$ 17,153,428	\$ 12,693,744

### *Sensitivity of the College's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate*

The following presents the College's proportionate share of the net OPEB liability calculated using the discount rate of 6.95%, as well as what the College's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher as of June 30, 2020:

	1% Decrease (5.95%)	Current Discount Rate (6.95%)	1% Increase (7.95%)
College's proportionate share of the net OPEB	\$ 4,765,611	\$ 3,885,061	\$ 3,145,643

The following presents the College's proportionate share of the net OPEB liability calculated using the discount rate of 7.15%, as well as what the College's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher as of June 30, 2019:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
College's proportionate share of the net OPEB	\$ 5,508,655	\$ 4,588,711	\$ 3,814,927

# BAY DE NOC COMMUNITY COLLEGE

## Notes to Financial Statements

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

The following presents the College's proportionate share of the net OPEB liability calculated using the assumed trend rates, as well as what the College's proportionate share of the net OPEB liability would be if it were calculated using a trend rate that is 1 percentage point lower or 1 percentage higher as of June 30, 2020:

	1% Decrease (6.5%)	Current Healthcare Cost Trend Rate (7.5%)	1% Increase (8.5%)
College's proportionate share of the net OPEB	\$ 3,114,295	\$ 3,885,061	\$ 4,765,507

The following presents the College's proportionate share of the net OPEB liability calculated using the assumed trend rates, as well as what the College's proportionate share of the net OPEB liability would be if it were calculated using a trend rate that is 1 percentage point lower or 1 percentage higher as of June 30, 2019:

	1% Decrease (6.5%)	Current Healthcare Cost Trend Rate (7.5%)	1% Increase (8.5%)
College's proportionate share of the net OPEB	\$ 3,774,164	\$ 4,588,711	\$ 5,523,163

### *Pension and OPEB Plans Fiduciary Net Position*

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

### *Payable to the Pension Plan*

As of June 30, 2020, the College reported a payable of \$165,173 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2020. At June 30, 2019, the College reported a payable of \$168,052 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2019.

### *Payable to the OPEB Plan*

At June 30, 2020, the College reported a payable of \$22,281 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2020. At June 30, 2019, the College reported a payable of \$21,564 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2019.

# BAY DE NOC COMMUNITY COLLEGE

## Notes to Financial Statements

### Defined Contribution Plan

Effective July 1, 1988, the College adopted a defined contribution retirement plan for qualified employees. Full-time faculty, administrators, and other exempt-status employees can elect to participate in the Bay de Noc Community College Optional Retirement Plan (the "Optional Plan"), a defined contribution plan administered by the College. New employees can elect to participate in either the Optional Plan or MPSERS. Employees electing the Optional Plan who are members of MPSERS retain a limited membership in MPSERS. As of June 30, 2020 and 2019, the Optional Plan had 64 and 61 active participants, respectively, and 83 and 77 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, 2020 and 2019 were \$632,394 and \$589,983, respectively.

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

### Longevity Benefit Payments

#### Full-time Faculty

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

#### Administrative Staff

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

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

# BAY DE NOC COMMUNITY COLLEGE

## Notes to Financial Statements

The College records a liability for these benefits over the period earned by the employees based on the likelihood that a benefit will be paid out upon retirement or termination from the College. This plan is funded by the College on a pay-as-you-go basis. The College has elected to calculate the liability using a 5% discount rate applied to the benefit amount. The total liability for these benefits was approximately \$422,000 and \$501,000 at June 30, 2020 and 2019, respectively. The College recognized a reduction to expenses associated with these longevity incentives for the year ended June 30, 2020 of approximately \$30,000. The College recognized expenses associated with these longevity incentives for the year ended June 30, 2019 of approximately \$59,000.

### 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 \$326,000 and \$278,000 at June 30, 2020 and 2019, respectively.

#### Sick Leave

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

### 8. VOLUNTARY TERMINATION BENEFITS

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

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

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

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

# BAY DE NOC COMMUNITY COLLEGE

## Notes to Financial Statements

### Employee Severance Plan

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

For those who elected the ESP, the exit date was June 30, 2020 or July 31, 2020; however, the College reserves the right to retain employees for up to one year or alter their exit date based on educational and operational needs of the College. The benefits under this plan are as follows:

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

Participants receive the total ESP benefit over five years, divided into sixty equal monthly payments beginning four months following the elected exit date. A total of 9 employees opted into the plan with various exit dates in 2020. The College’s liability related to the ESP as of June 30, 2020 was \$539,677, which includes the current portion of \$269,839 due within one year as of June 30, 2020.

## 9. CONTINGENCIES

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

## 10. RISK MANAGEMENT

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



**REQUIRED SUPPLEMENTARY INFORMATION**  
MPSERS COST SHARING MULTIPLE EMPLOYER 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					
	2020	2019	2018	2017	2016	2015
College's proportionate share of the net pension liability	\$ 18,602,589	\$ 17,153,428	\$ 14,544,692	\$ 14,566,191	\$ 15,132,181	\$ 14,328,240
College's proportion of the net pension liability	0.05617%	0.05706%	0.05613%	0.05838%	0.06195%	0.06505%
College's covered payroll	\$ 4,759,426	\$ 4,943,153	\$ 4,755,418	\$ 4,725,908	\$ 5,281,871	\$ 5,545,682
College's proportionate share of the net pension liability as a percentage of its covered payroll	390.86%	347.01%	305.86%	308.22%	286.49%	258.37%
Plan fiduciary net position as a percentage of the total pension liability	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

See notes to required supplementary information.

## BAY DE NOC COMMUNITY COLLEGE

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

#### Schedule of the College's Pension Contributions

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

See notes to required supplementary information.

## BAY DE NOC COMMUNITY COLLEGE

### Required Supplementary Information

#### MPSERS Cost-Sharing Multiple-Employer Plan

#### Schedule of the College's Proportionate Share of the Net Other Postemployment Benefits Liability

	Year Ended June 30		
	2020	2019	2018
College's proportionate share of the net OPEB liability	\$ 3,885,061	\$ 4,588,711	\$ 4,995,027
College's proportion of the net OPEB liability	0.05413%	0.05773%	0.05641%
College's covered payroll	\$ 4,759,426	\$ 4,943,153	\$ 4,755,418
College's proportionate share of the net OPEB liability as a percentage of its covered payroll	81.63%	92.83%	105.04%
Plan fiduciary net position as a percentage of the total OPEB liability	48.46%	42.95%	36.39%

See notes to required supplementary information.

## BAY DE NOC COMMUNITY COLLEGE

### Required Supplementary Information

#### MPSERS Cost-Sharing Multiple-Employer Plan

#### Schedule of the College's Other Postemployment Benefits Contributions

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

See notes to required supplementary information.

# BAY DE NOC COMMUNITY COLLEGE

## Notes to Required Supplementary Information

### Pension Information

GASB 68 was implemented in fiscal year 2015. The pension plan schedules are being built

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

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

- 2020 - The discount rate used in the September 30, 2018 actuarial valuation decreased to 6.80% for the MIP and Basic plans, 6.80% for the Pension Plus Plan, and 6.00% for the Pension Plus 2 Plan.
- 2019 - The discount rate used in the September 30, 2017 actuarial valuation decreased to 7.05% for the MIP and Basic plans, 7.00% for the Pension Plus plan, and 6.00% for the Pension Plus 2 plan.
- 2018 - The discount rate used in the September 30, 2016 actuarial valuation decreased to 7.50% for the MIP and Basic plans and 7.00% for the Pension Plus plan.

### OPEB Information

GASB 75 was implemented in fiscal year 2018. The OPEB plan schedules are being built prospectively.

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

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

- 2020 - The discount rate used in the September 30, 2018 actuarial valuation decreased to 6.95%.
- 2019 - The discount rate used in the September 30, 2017 actuarial valuation decreased to 7.15%.

## SUPPLEMENTARY INFORMATION

# BAY DE NOC COMMUNITY COLLEGE

## Combining Statement of Net Position

June 30, 2020 (Unaudited)

(with comparative totals for 2019)

	General Fund	Auxiliary Fund	Pension and OPEB Liability Fund	Plant Fund	Agency Fund	Restricted Fund	Combined Total June 30, 2020	Combined Total June 30, 2019
<b>Assets</b>								
<b>Current assets</b>								
Cash	\$ 2,099,739	\$ -	\$ -	\$ -	\$ -	\$ 3,681,949	\$ 5,781,688	\$ 5,007,362
Cash-restricted for capital improvements	-	-	-	1,864,293	-	-	1,864,293	2,642,240
Student receivables, net	56,712	-	-	-	-	-	56,712	60,551
State appropriations receivable	439,311	-	113,208	-	-	-	552,519	1,158,232
Grants receivable	-	-	-	-	-	286,389	286,389	102,087
Due from (to) component unit	10,519,483	1,261,099	-	(7,841,264)	111,380	(3,961,317)	89,381	62,387
Other receivables, net	17,710	-	-	-	-	-	17,710	227,500
Prepays and other current assets	589,888	-	-	-	-	-	589,888	627,053
<b>Total current assets</b>	<b>13,722,843</b>	<b>1,261,099</b>	<b>113,208</b>	<b>(5,976,971)</b>	<b>111,380</b>	<b>7,021</b>	<b>9,238,580</b>	<b>9,887,412</b>
<b>Noncurrent assets</b>								
Cash-restricted for debt repayment	-	-	-	464,530	-	-	464,530	387,365
Capital assets not being depreciated	-	-	-	1,356,459	-	-	1,356,459	2,363,021
Capital assets being depreciated, net	-	-	-	29,303,689	-	-	29,303,689	28,995,827
<b>Total noncurrent assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>31,124,678</b>	<b>-</b>	<b>-</b>	<b>31,124,678</b>	<b>31,746,213</b>
<b>Total assets</b>	<b>13,722,843</b>	<b>1,261,099</b>	<b>113,208</b>	<b>25,147,707</b>	<b>111,380</b>	<b>7,021</b>	<b>40,363,258</b>	<b>41,633,625</b>
<b>Deferred outflows of resources</b>								
Deferred pension and OPEB amounts	-	-	6,326,012	-	-	-	6,326,012	6,450,164
<b>Liabilities</b>								
<b>Current liabilities</b>								
Accounts payable	276,099	-	113,208	-	-	-	389,307	413,115
Accrued payroll and related liabilities	1,229,835	-	-	-	-	-	1,229,835	1,170,113
Unearned revenue	234,435	-	-	-	-	7,021	241,456	330,236
Interest payable	-	-	-	46,451	-	-	46,451	49,269
Other current liabilities	188,367	11,400	-	-	111,380	-	311,147	313,891
Current portion of accrued employee benefits payable	269,839	-	-	-	-	-	269,839	-
Current portion of long-term debt	-	-	-	870,000	-	-	870,000	815,000
<b>Total current liabilities</b>	<b>2,198,575</b>	<b>11,400</b>	<b>113,208</b>	<b>916,451</b>	<b>111,380</b>	<b>7,021</b>	<b>3,358,035</b>	<b>3,091,624</b>
<b>Noncurrent liabilities</b>								
Long-term debt, net of current portion	-	-	-	11,880,000	-	-	11,880,000	12,750,000
Accrued employee benefits payable, net of current portion	697,143	-	-	-	-	-	697,143	507,077
Net pension and OPEB liabilities	-	-	22,487,650	-	-	-	22,487,650	21,742,139
<b>Total noncurrent liabilities</b>	<b>697,143</b>	<b>-</b>	<b>22,487,650</b>	<b>11,880,000</b>	<b>-</b>	<b>-</b>	<b>35,064,793</b>	<b>34,999,216</b>
<b>Total liabilities</b>	<b>2,895,718</b>	<b>11,400</b>	<b>22,600,858</b>	<b>12,796,451</b>	<b>111,380</b>	<b>7,021</b>	<b>38,422,828</b>	<b>38,090,840</b>
<b>Deferred inflows of resources</b>								
Deferred pension and OPEB amounts	-	-	3,535,086	-	-	-	3,535,086	3,711,407
<b>Net position</b>								
Net investment in capital assets	-	-	-	19,774,441	-	-	19,774,441	20,436,088
Restricted	-	-	-	464,530	-	-	464,530	387,365
Unrestricted (deficit)	10,827,125	1,249,699	(19,696,724)	(7,887,715)	-	-	(15,507,615)	(14,541,911)
<b>Total net position</b>	<b>\$ 10,827,125</b>	<b>\$ 1,249,699</b>	<b>\$ (19,696,724)</b>	<b>\$ 12,351,256</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,731,356</b>	<b>\$ 6,281,542</b>

# BAY DE NOC COMMUNITY COLLEGE

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

Year Ended June 30, 2020 (Unaudited)  
(with comparative totals for 2019)

	General Fund	Auxiliary Fund	Pension and OPEB Liability Fund	Plant Fund	Restricted Fund	Subtotal	Eliminations	Combined Total June 30, 2020	Combined Total June 30, 2019
<b>Operating revenues</b>									
Tuition and fees, net	\$ 8,316,656	\$ -	\$ -	\$ -	\$ -	\$ 8,316,656	\$ (2,425,406)	\$ 5,891,250	\$ 6,174,118
Federal grants and contracts	-	-	-	-	673,308	673,308	-	673,308	697,981
State and local grants and contracts	-	-	-	-	55,290	55,290	-	55,290	37,697
Sales and service of auxiliary activities	51,113	326,291	-	-	-	377,404	(57,356)	320,048	275,532
Other operating revenues	252,079	-	-	-	-	252,079	-	252,079	228,929
<b>Total operating revenues</b>	<b>8,619,848</b>	<b>326,291</b>	<b>-</b>	<b>-</b>	<b>728,598</b>	<b>9,674,737</b>	<b>(2,482,762)</b>	<b>7,191,975</b>	<b>7,414,257</b>
<b>Operating expenses</b>									
Instruction	8,663,842	-	54,204	-	814,626	9,532,672	-	9,532,672	8,554,632
Public service	240,436	-	366	-	-	240,802	-	240,802	237,846
Instructional support	1,819,813	-	2,943	-	-	1,822,756	-	1,822,756	1,527,625
Student services	2,586,554	-	2,748	-	3,131,318	5,720,620	(2,482,762)	3,237,858	3,346,173
Institutional administration	2,539,174	-	4,940	2,000	-	2,546,114	-	2,546,114	2,790,523
Operations and maintenance of plant	1,798,128	119,547	4,182	-	-	1,921,857	-	1,921,857	1,968,242
Information technology	1,552,378	-	1,319	-	-	1,553,697	-	1,553,697	1,495,512
Depreciation	-	-	-	2,157,114	-	2,157,114	-	2,157,114	2,068,657
<b>Total operating expenses</b>	<b>19,200,325</b>	<b>119,547</b>	<b>70,702</b>	<b>2,159,114</b>	<b>3,945,944</b>	<b>25,495,632</b>	<b>(2,482,762)</b>	<b>23,012,870</b>	<b>21,989,210</b>
<b>Operating (loss) income</b>	<b>(10,580,477)</b>	<b>206,744</b>	<b>(70,702)</b>	<b>(2,159,114)</b>	<b>(3,217,346)</b>	<b>(15,820,895)</b>	<b>-</b>	<b>(15,820,895)</b>	<b>(14,574,953)</b>
<b>Nonoperating revenues (expenses)</b>									
State appropriations	6,751,387	-	(622,640)	-	-	6,128,747	-	6,128,747	6,542,267
Property tax levy	2,736,279	-	-	1,185,769	-	3,922,048	-	3,922,048	3,779,729
Property taxes from Dickinson County	1,086,141	-	-	-	-	1,086,141	-	1,086,141	1,064,705
Pell grants	-	-	-	-	2,624,551	2,624,551	-	2,624,551	2,577,467
Federal Higher Education Emergency Relief Fund grant	-	-	-	-	530,294	530,294	-	530,294	-
Support from component unit	460,911	-	-	50,668	-	511,579	-	511,579	525,955
Private gifts, grants and contracts	19,387	-	-	246,165	-	265,552	-	265,552	533,835
Contributions to the YMCA	-	-	-	(305,000)	-	(305,000)	-	(305,000)	-
Interest income	49,380	-	-	24,218	-	73,598	-	73,598	49,078
Loss on disposal of capital assets	-	-	-	(155,000)	-	(155,000)	-	(155,000)	-
Interest on capital asset-related debt	-	-	-	(411,801)	-	(411,801)	-	(411,801)	(383,994)
<b>Net nonoperating revenues</b>	<b>11,103,485</b>	<b>-</b>	<b>(622,640)</b>	<b>635,019</b>	<b>3,154,845</b>	<b>14,270,709</b>	<b>-</b>	<b>14,270,709</b>	<b>14,689,042</b>
<b>(Decrease) increase in net position before transfers</b>	<b>523,008</b>	<b>206,744</b>	<b>(693,342)</b>	<b>(1,524,095)</b>	<b>(62,501)</b>	<b>(1,550,186)</b>	<b>-</b>	<b>(1,550,186)</b>	<b>114,089</b>
Transfers (out) in	(122,081)	241	-	59,339	62,501	-	-	-	-
<b>(Decrease) increase in net position</b>	<b>400,927</b>	<b>206,985</b>	<b>(693,342)</b>	<b>(1,464,756)</b>	<b>-</b>	<b>(1,550,186)</b>	<b>-</b>	<b>(1,550,186)</b>	<b>114,089</b>
Net position (deficit), beginning of year	10,426,198	1,042,714	(19,003,382)	13,816,012	-	6,281,542	-	6,281,542	6,167,453
<b>Net position (deficit), end of year</b>	<b>\$ 10,827,125</b>	<b>\$ 1,249,699</b>	<b>\$ (19,696,724)</b>	<b>\$ 12,351,256</b>	<b>\$ -</b>	<b>\$ 4,731,356</b>	<b>\$ -</b>	<b>\$ 4,731,356</b>	<b>\$ 6,281,542</b>

# BAY DE NOC COMMUNITY COLLEGE

## West Campus - Schedules of Revenues, Expenses and Changes in Net Position (Unaudited)

	Year Ended June 30	
	2020	2019
<b>Operating revenues</b>		
Tuition and fees	\$ 1,962,080	\$ 2,084,954
Federal grants and contracts	11,458	5,760
Non-credit and contracts	53,305	60,712
Scholarship allowance	(6,270)	(11,712)
	<u>2,020,573</u>	<u>2,139,714</u>
Net tuition and fees		
	2,020,573	2,139,714
Other operating revenue	5,931	7,336
	<u>5,931</u>	<u>7,336</u>
<b>Total operating revenues</b>	<b><u>2,026,504</u></b>	<b><u>2,147,050</u></b>
<b>Operating expenses</b>		
Salary and wages	1,178,166	1,215,028
Benefits	549,794	574,974
Advertising and professional services	148,963	161,276
Supplies and materials	106,786	104,177
Rent, utilities and insurance	170,940	193,601
Travel, professional development, and other operating expenses	54,862	51,604
Capital under \$5,000 and grant capital	8,449	9,685
Depreciation	345,138	330,985
	<u>345,138</u>	<u>330,985</u>
<b>Total operating expenses</b>	<b><u>2,563,098</u></b>	<b><u>2,641,330</u></b>
<b>Operating loss</b>	<b><u>(536,594)</u></b>	<b><u>(494,280)</u></b>
<b>Nonoperating revenues (expenses)</b>		
General administration (5% of total expenses)	(128,155)	(132,067)
Property taxes from Dickinson County	1,086,141	1,064,705
Interest on capital asset-related debt	(98,982)	(106,718)
	<u>(98,982)</u>	<u>(106,718)</u>
<b>Net nonoperating revenues</b>	<b><u>859,004</u></b>	<b><u>825,920</u></b>
<b>Increase in net position</b>	<b><u>\$ 322,410</u></b>	<b><u>\$ 331,640</u></b>