Northwestern Michigan College

Financial Report
with Supplemental Information
June 30, 2020

Contents

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Independent Auditor's Report

To the Board of Trustees
Northwestern Michigan College

Report on the Financial Statements

We have audited the accompanying financial statements of Northwestern Michigan College (the "College") and its discretely presented component unit as of and for the years ended June 30, 2020 and 2019 and the related notes to the financial statements, which collectively comprise Northwestern Michigan 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 basic 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 basic financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these basic financial statements based on our audits. 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 basic financial statements are free from material misstatement. The financial statements of the discretely presented component unit were not audited under *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic 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 basic 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 basic 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of Northwestern Michigan College and its discretely presented component unit as of June 30, 2020 and 2019 and the respective changes in their financial position and, where applicable, cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the financial statements, the COVID-19 pandemic has impacted the operations of the College. Our opinion is not modified with respect to this matter.

To the Board of Trustees
Northwestern Michigan College

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the College's proportionate share of the net pension liability, schedule of pension contributions, schedule of the College's proportionate share of the net OPEB liability, and schedule of OPEB contributions 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, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our 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 Northwestern Michigan College's basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The other supplemental information, as identified in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2020 on our consideration of Northwestern Michigan College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Northwestern Michigan College's internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 14, 2020

June 30, 2020

The discussion and analysis of Northwestern Michigan College's (the "College") financial statements provide an overview of the College's financial activities for the year ended June 30, 2020. Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the College's administration.

Using this Report

The College's financial report includes three financial statements: the statement of net position, the statement of revenues, expenses, and changes in net position, and the statement of cash flows. These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities* and the *State of Michigan Manual for Uniform Financial Reporting – Michigan Public Community Colleges, 2001.*

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

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

Financial Highlights

The College's net position increased by $8.1 million in fiscal year 2020, including activity recognized to comply with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The College's net position increased by $11.0 million before the adjustments required under those standards. The increase in net position stems largely from the College recognizing $7.2 million in State capital appropriations revenue for the West Hall Innovation Center ("WHIC") building project after meeting its 50% cost share during the fiscal year. The College has not received capital appropriations from the State in recent years. The 54,000 square-foot building opened to the public in August 2020 and includes a new library, cafeteria, flexible learning spaces, study areas, and a variety of social spaces. The College funded its share of the WHIC project through a $7.3 million bond issuance payable over twenty years.

Operating property taxes increased 4.5% due to a 5.1% increase in taxable values, offset by tax abatements. Total property tax collections for the debt millage remained flat as the 5.1% increase in property values was offset by a 0.02 mill reduction in the levy due to decreasing principal obligations. State appropriations for general operations were $8,741,600 in fiscal year 2020, a decrease of $884,000 or 9.2% (see next paragraph). State appropriations passed through the College for the MPSERS Unfunded Actuarial Accrued Liability ("UAAL") payments were $1,964,280, a decrease of $83,000 from prior year. The College received an additional $458,000 in support from the State to offset mandatory increases in MPSERS employer contribution rates in fiscal year 2020. This compares with $289,000 in fiscal year 2019, an increase of $169,000. Also included in State appropriations is the State's payment in lieu of personal property taxes, which the State abolished as of December 31, 2015. This formula-based reimbursement was $199,000 for fiscal year 2020, a $13,000 decrease from prior year. With the above, total state appropriations decreased $615,000 in fiscal year 2020 compared to prior year.

On March 11, 2020, the World Health Organization declared a pandemic with the outbreak of a respiratory disease caused by a new coronavirus ("COVID-19"). In response to the pandemic, governments have taken preventative and protective actions, such as temporary closures of non-essential businesses and "shelter-at-home" guidelines for individuals. On March 17, following Traverse City's first confirmed case of COVID-19, the College closed all campuses, sending students and employees home and shifting to a fully remote online learning environment. On March 27, Congress enacted the Coronavirus Aid, Relief, and Economic Security Act ("CARES"), which includes formula-based federal support for Colleges and Universities through its Higher Education Emergency Relief Fund

("HEERF"). The Department of Education awarded $2.2 million from HEERF to the College. Half of these funds ("the student portion") must be used to provide emergency grants to students in need, while the other half ("the institutional portion") may be used to offset institutional costs directly related to changes in the delivery of instruction resulting from the COVID-19 pandemic (or to provide additional emergency grants to students). Several months later, in July 2020, the State passed a retroactive 11% cut to its original 2020 community college appropriation bill in response to revenue shortfalls from the pandemic. However, in the same bill, the State replaced the $1.1 million cut in full with a new stream of funding enacted under the CARES Act called the Coronavirus Relief Fund (CRF). Usage of CRF funds is restricted for expenses incurred from March 1-December 30, 2020 due to COVID-19 and not accounted for in the College's most recently approved budget. In fiscal year 2020, the College spent $1.7 million and $905,000 in HEERF and CRF costs, respectively. The College expects to spend the remaining HEERF and CRF funds in fiscal year 2021.

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

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

The statements of net position include the College's net pension and OPEB liabilities recognized in accordance with GASB 68 and 75, respectively. The College's total net position at June 30, 2020, 2019, and 2018 without the accounting required by GASB 68 and GASB 75 was $83.4 million, $72.4 million, $68.8 million, respectively. Summaries of the College's statements of net position at June 30, 2020, 2019, and 2018 are as follows:

	Condensed Statements of Net Position as of June 30 (in thousands)		
	2020	2019	2018
Current assets	$ 21,615	$ 11,035	$ 10,503
Noncurrent assets:			
Capital assets, net	83,145	72,873	69,003
Other noncurrent assets	16,903	30,221	25,602
Total assets	121,663	114,129	105,108
Deferred outflows of resources	19,333	20,030	11,688
Current liabilities	11,028	12,958	10,161
Noncurrent liabilities:			
Net pension liability	57,892	54,493	48,032
Net OPEB liability	12,287	14,251	16,520
Other noncurrent liabilities	27,195	28,763	26,150
Total liabilities	108,402	110,465	100,863
Deferred inflows of resources	11,968	11,200	5,688
Net position:			
Net investment in capital assets	59,659	54,163	49,435
Unrestricted deficit	(39,033)	(41,669)	(39,190)
Total net position	$ 20,626	$ 12,494	$ 10,245

Statements of Net Position

The primary changes in the assets, deferred outflows, liabilities, and deferred inflows of the College between 2020 and 2019 are as follows:

- Current assets increased $10.6 million, including a $5.5 million increase in receivables and a $5.2 million increase in cash. The increase in receivables is due to the recognition of a new $3.8 million receivable for State capital appropriations and a $1.3 million increase in receivables from the Foundation due to increased support. The College's increase in cash is due to timing and lack of opportunity in the investment market.

- Capital asset additions totaled $14.7 million, $13.0 million of which relates to the construction of the WHIC. These additions were offset by current year depreciation of $4.4 million and net disposals of $91,000. As a result, net capital assets increased by $10.3 million. Other noncurrent assets decreased $13.3 due to spending $8.9 million of restricted cash on WHIC and transferring (net) $4.4 million of unrestricted investments to cash during the year.

- Current liabilities decreased $1.9 million due to the College paying off its remaining $2.9 million in obligations for its 2009 and 2015 bonds during the fiscal year. The payoffs were offset by an increase in accounts payable ($715,000) related to increased retainage on the WHIC project completed shortly after year-end along with a $195,000 increase in the College's health insurance liability due to increased claims lag from the College's insurance providers.

- The College's net pension liability increased $3.3 million due primarily to a 0.25% decrease in the actuarial discount rate applied to the calculation, highlighting the sensitivity and impact of these assumptions on the net pension liability calculation. The College's net OPEB liability decreased $2.0 million due to current year payments and no significant changes in actuarial assumptions. Other noncurrent liabilities decreased due to current year payments on outstanding debt.

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

The primary changes in the assets, deferred outflows, liabilities, and deferred inflows of the College between 2019 and 2018 are as follows:

- Current assets increased due primarily to timing of internal transfers between the College's cash and investments accounts and timing of cash draws for Pell and Direct Loans.

- Capital asset additions totaled $9.3 million, $6.0 million of which relates to the construction of the WHIC. These additions were offset by current year depreciation of $4.6 million and net disposals of $857,000. As a result, net capital assets increased by $3.9 million. Other noncurrent assets increased due to cash proceeds received from the College's $7.3 million bond issuance. The College only spent a portion of those proceeds through June 30, 2019.

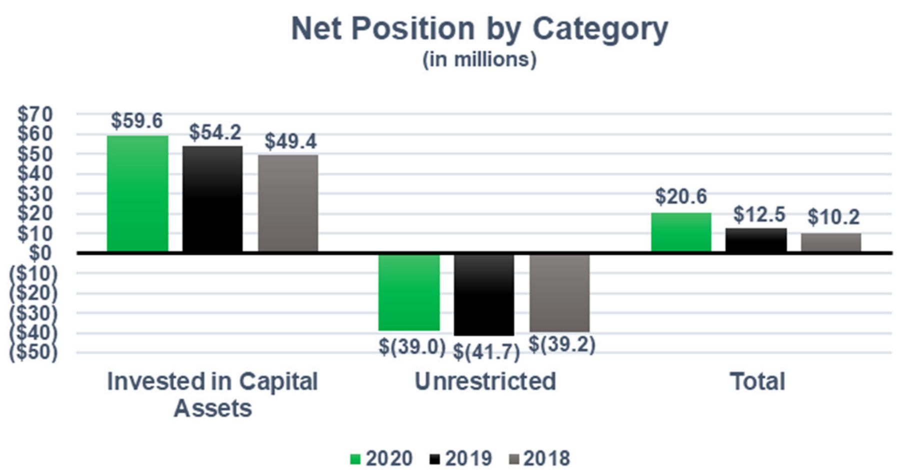
- Current liabilities increased due to the ongoing construction of the WHIC, which had outstanding invoices and retainage payable of $1.3 million at June 30, 2019. The College did not have any major construction in progress or outstanding invoices at the end of fiscal year 2018.

- The College's net pension liability increased due primarily to changes in actuarial assumptions for the MPSERS defined benefit plan. More specifically, the MPSERS lowered its expected investment rates of return (discount rates) in its actuarial valuation by 1.0-1.5%, depending on the plan option. The College's net OPEB liability decreased due to current year payments and no significant changes in actuarial assumptions. Other noncurrent liabilities increased due to the $7.3 million bond issuance to support the construction of West Hall Innovation Center, offset by current year payments on all debt.

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

Net Position

The following chart provides a graphic breakdown of net position by category as of June 30, 2020, 2019, and 2018:



The College's net position was $20.6 million as of June 30, 2020, an increase of $8.2 million from prior year. Net position increased by $11.1 million in fiscal year 2020 before the effects of GASB 68 and 75. The College's net position was $12.5 million as of June 30, 2019, an increase of $2.4 million from prior year. Net position increased by $3.6 million in fiscal year 2019 before the effects of GASB 68 and 75.

Statements of Revenues, Expenses and Changes in Net Position

Following is a comparison of the major components of the College's operating results for the years ended June 30, 2020, 2019, and 2018:

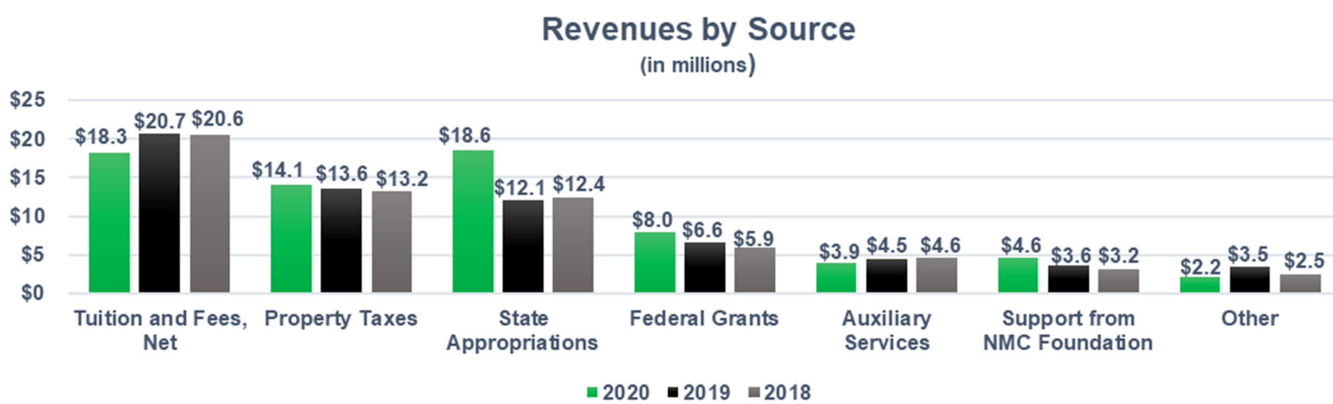
	Operating Results for the Years Ended June 30 (in thousands)		
	2020	2019	2018
Total operating revenues	$ 25,837	$ 29,987	$ 28,955
Total operating expenses	60,764	61,388	59,416
Operating loss	(34,927)	(31,401)	(30,461)
Net nonoperating revenues and capital contributions	43,059	33,650	32,680
Change in net position	8,132	2,249	2,219
Net position – beginning of year	12,494	10,245	24,767
Implementation of GASB 75	-	-	(16,741)
Net position – end of year	$ 20,626	$ 12,494	$ 10,245

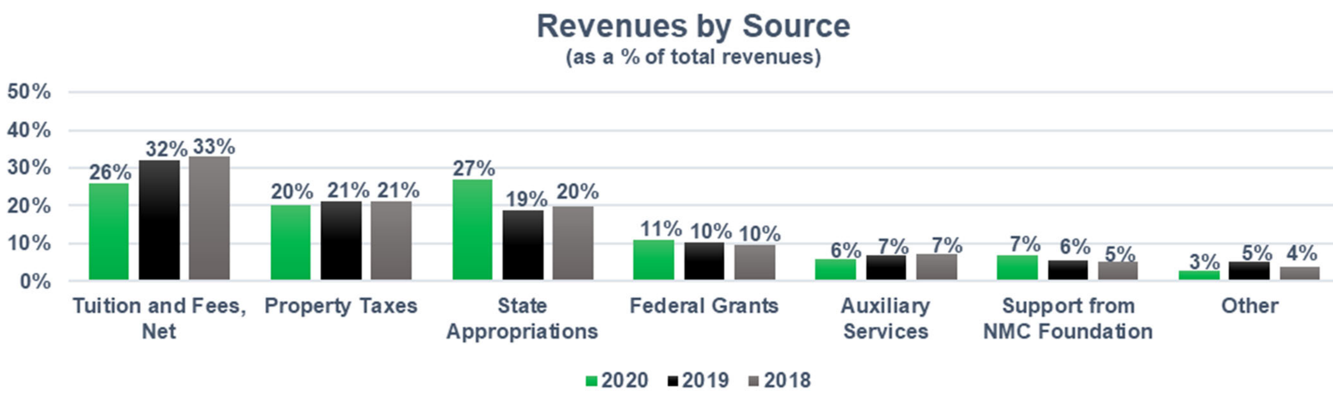
Total Revenues

Total revenues increased $5.3 million in fiscal year 2020 due primarily to recognizing $7.2 million in State capital appropriations during the year (none in 2019). Tuition and fees decreased $2.4 million. This is partially the result of a 3.8% decline in billable contact hours offset by a 3.0% increase in tuition rates ($442,000 net decrease). Additionally, the College lost a substantial amount of revenue due to closures or cancellations stemming from the pandemic, including lost flight fees (~$850,000), international trip fees (~$243,000), non-credit tuition revenue (~$179,000), cancellation of its Yellow River cohorts in China (~$140,000), and various other revenue delays or losses (~$172,000). At the end of fiscal year 2019, the College also disbanded its Training Services program which generated $374,000 in prior year tuition and fees. Property tax revenues increased due to increases in underlying taxable values, offset by abatements. Support from component unit increased due to new payments from the Foundation in 2020 for support of College's debt service obligations ($1.2 million) offset by reduced support for the Dennos Museum ($376,000 decline) as the Museum finished its expansion project in the prior year. The Foundation also provided scholarship support of $1.7 million, a $171,000 increase from prior year. Federal grant revenue increased due to the new HEERF (CARES) funding awarded in fiscal year 2020.

Total revenues increased by $2.0 million in fiscal year 2019 as the result of increased Federal appropriations for the Great Lake Maritime Academy and the recognition of a significant unrealized gain on investments due to timing of market conditions. Tuition and fee revenue increased nominally as rate increases of 2.2% were offset by a 4.3% decline in contact hours in the Fall (2.4% decline in the Spring). Property tax revenues increased due to increases in underlying taxable values. Support from component unit increased due to the Foundation's support for the Dennos Museum Center expansion project. The Foundation also provided scholarship support of $1.5 million, a $130,000 increase from the prior year.

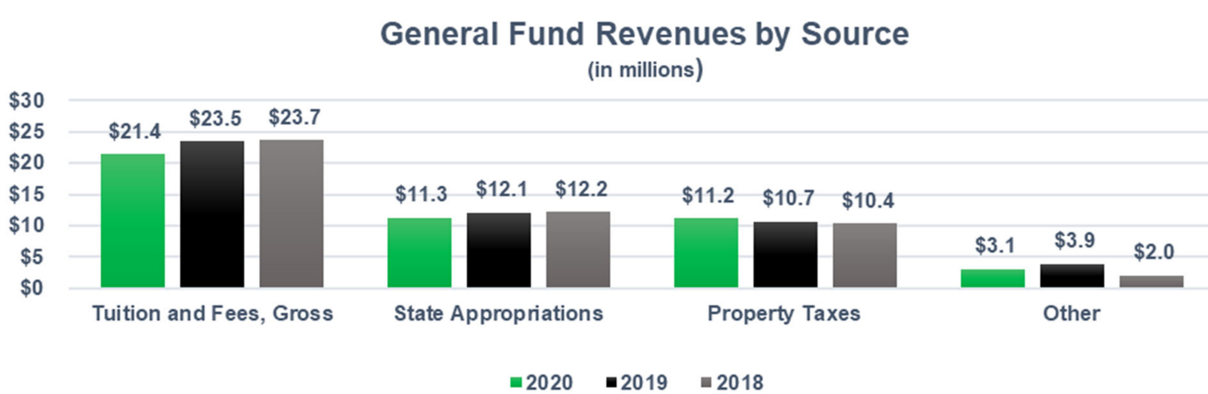
The following graphs illustrate total revenues by source, by dollars and percentages, for the years ended June 30, 2020, 2019, and 2018:

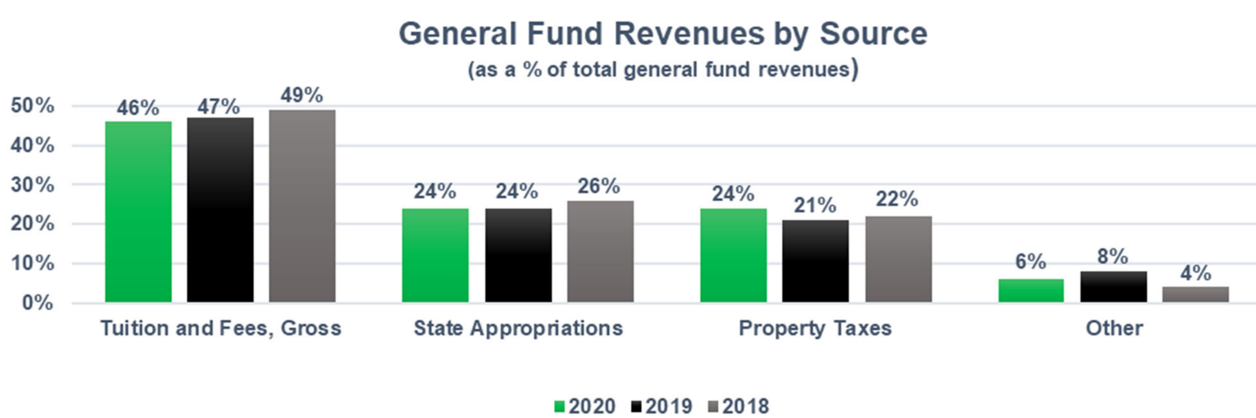




General Fund Revenues

The College accounts for its primary operations and programs within the General Fund. The primary General Fund revenue sources are tuition and fees, state appropriations, property taxes, and Federal grants. The following graphs illustrate total General Fund revenues by source, by dollars and percentages, for the years ended June 30, 2020, 2019, and 2018:





Operating Revenues

The College classifies as operating revenues any sales or receipts derived from primary operations of the College such as tuition, fees, housing, and other auxiliary operations. In addition, certain Federal, State, and private grants are considered operating if they are not for capital purposes and are deemed a contract for services. The following table shows the sources of operating revenues for the years ended June 30, 2020, 2019, and 2018:

	Operating Revenues by Source Years Ended June 30 (in thousands)		
	2020	2019	2018
Tuition and fees, net	$ 18,311	$ 20,711	$ 20,593
Federal grants	1,962	2,355	1,357
State grants	135	177	120
Auxiliary services	3,938	4,529	4,617
Other operating	1,491	2,216	2,268
Total operating revenues	$ 25,837	$ 29,988	$ 28,955

Changes in operating revenues for fiscal year 2020 were as follows:

- Tuition and fees decreased $2.4 million due to lost aviation flight fees, lost international trip fees, and lost revenue related to the College's non-credit tuition program while the College closed due to the pandemic (~$1.4 million), the discontinuation of its Training Services program ($374,000), and a 3.8% decline in billable contact hours offset by tuition increases of 3.0% ($442,000).

- Federal grant revenue from operations decreased $393,000 due primarily to the discontinuation of it Training Services program that received a $229,000 federal grant in 2019. Direct support from MARAD for the Great Lakes Maritime Academy also decreased $192,000 from prior year.

- Auxiliary and other operating sources decreased due to the impact of COVID-19 and providing refunds to students for housing and dining, and cancellation of events.

Changes in operating revenues for fiscal year 2019 were as follows:

- Increases in tuition rates of 2.2% helped offset the current year enrollment decline. The $118,000 increase in tuition and fees is attributed primarily to an increase in aviation training flights resulting in more flight fees in fiscal year 2019.

- Federal grant revenue increased significantly due to increased Federal appropriations for the Great Lakes Maritime Academy. State grants remained comparable to fiscal year 2018.

- Auxiliary and other operating sources remained comparable to fiscal year 2018.

Nonoperating Revenues and Capital Contributions

Nonoperating revenues are non-exchange in nature, meaning that the College receives value without directly giving equal value in return. Nonoperating revenues include state appropriations, Federal Pell grants, property taxes, support from component unit, and investment income. Capital contributions include state capital appropriations. The following table shows the amounts of these sources of nonoperating revenues for the years ended June 30, 2020, 2019, and 2018:

	Nonoperating Revenues and Capital Contributions by Source Years Ended June 30 (in thousands)		
	2020	2019	2018
State appropriations	$ 11,448	$ 12,063	$ 12,352
Pell grants	4,286	4,246	4,550
Federal CARES Act Funding	1,679	-	-
Property taxes	14,076	13,556	13,210
Support from the Foundation	4,649	3,631	3,210
Investment income	574	1,112	146
State capital appropriations	7,199	-	-
Total nonoperating revenues and capital contributions	$ 43,911	$ 34,608	$ 33,468

Nonoperating revenue and capital contribution changes included the following factors for fiscal year 2020:

- State appropriations for general operations decreased by $884,000, or 9.2%. State appropriations for the MPSERS UAAL pass-through funding decreased by $83,000, or 4%. The College received additional support from the State of $458,000, an increase of $169,000 to help offset mandatory increases in employer contribution rates. The State's payments in lieu of property taxes of $199,000 decreased by $14,000 from prior year. Lastly, the College posted an adjustment to State appropriations at June 30, 2020 of $83,000 to recognize deferred inflows for UAAL contributions made subsequent to the measurement date. This adjustment is reported in the pension liability fund.

- Through the CARES Act, the College was allocated HEERF grants of $2.2 million and spent $1.7 million as of June 30, 2020.

- Property tax revenue increased by $478,000 or 2.6%. Operational property tax revenue increased by $478,000, or 4.5%, due to increases in taxable values of 5.1% offset by property tax abatements. Debt-related property tax revenue increased by $42,000, or 1.5%, due to increases in taxable values offset by a 0.02 mill reduction in the bond debt service levy as a result of decreasing principal obligations.

- Northwestern Michigan College Foundation support included $1.7 million for scholarships, an increase of $171,000. The remaining support of $2.9 million was for debt service payments on sponsored projects, the Dennos Museum, instructional programs, board strategic initiatives, and general support.

- Investment income decreased by $538,000 due in large to the market's response to the pandemic. The College recognized unrealized gains of $43,000 and $399,000 in fiscal years 2020 and 2019, respectively. Bond issuers called all bonds held by the College during fiscal year 2020; the College invested in new debt securities at lower market rates, reducing unrealized gains by $356,000 from prior year and driving down interest income to $530,000, a decrease of $184,000 from prior year.

- The increase in state capital appropriations revenue is for the West Hall Innovation Center ("WHIC") building project that met its 50% cost share during the fiscal year.

Nonoperating revenue changes included the following factors for fiscal year 2019:

- State appropriations for general operations increased by $116,000, or 1.2%. State appropriations for the MPSERS UAAL pass-through funding increased by $126,000, or 6.6%. The College received additional support from the State of $222,000, an increase of $53,000, to help offset mandatory increases in employer contribution rates. However, the State's payment in lieu of property taxes decreased by $52,000 in fiscal year 2019. Further, in the prior year, the College received a one-time disbursement from the State of $381,000 restricted for payment to the MPSERS Early Retirement Incentive Program ("ERIP"). No such payments were received in fiscal year 2019. Lastly, the College posted an adjustment to State appropriations at June 30, 2019 of $126,000 to recognize deferred inflows for UAAL contributions made subsequent to the measurement date. This adjustment is reported in the pension liability fund.

- Federal Pell grants decreased by $305,000, or 6.7%, due to a decline in the number of eligible students and number of contact hours generated.

- Property tax revenue increased by $346,000 or 2.6%. Operational property tax revenue increased by $335,000, or 3.2%, due to increases in taxable values of 4.9% offset by property tax abatements. Debt-related property tax revenue increased by $11,000, or 0.3%, due to increases in taxable values offset by a 0.02 mill reduction in the bond debt service levy as a result of decreasing principal obligations.

- Investment income increased by $966,000 due primarily to changes in unrealized gains and losses. The College recognized unrealized gains of $399,000 in fiscal year 2019, but unrealized losses of $399,000 in fiscal year 2018 resulting in a $654,000 year-over-year change in investment income. Additionally, most of the College's agency bond investments "stepped up" to higher interest rates during the year resulting in higher returns. The College also earned approximately $140,000 in interest on the proceeds from the College's July 2018 bond issuance, which weren't available in fiscal year 2018.

- Northwestern Michigan College Foundation support included $1,506,000 for scholarships, an increase of $130,000. The remaining support of $2,125,000 was used to support the Dennos Museum, instructional programs, board strategic initiatives, and general support.

Operating Expenses

Operating expenses include all the costs necessary to perform and conduct the programs and primary functions of the College such as wages and benefits, professional services, software and technology maintenance, utilities, staff development, and depreciation expense. In the College's external financial statements, these expenses are categorized by function in accordance with the *State of Michigan Manual for Uniform Financial Reporting—Michigan Public Community Colleges, 2001*. Total operating expenses decreased by $623,000 or 1.0%, for fiscal year 2020 and increased by $2 million or 3.3% for fiscal year 2019. The following table summarizes operating expenses by function for the years ended June 30, 2020, 2019, and 2018 (update FY20):

	Operating Expenses by Function Years Ended June 30 (in thousands)		
	2020	2019	2018
Instruction	$ 17,775	$ 18,536	$ 18,024
Public service	2,484	2,977	2,869
Academic support	7,739	7,748	7,359
Student services	12,417	11,130	11,110
Institutional administration	6,889	7,445	7,217
Operation and maintenance of plant	5,191	5,430	5,075
Depreciation	4,435	4,588	4,551
Information technology	3,835	3,534	3,211
Total operating expenses	$ 60,765	$ 61,388	$ 59,416

Highlights of the major changes between fiscal years 2020 and 2019 by category are as follows:

- Most functional operating expense categories decreased in fiscal year 2020 due to the impact of COVID-19 and closure of campus. Instruction costs decreased due to direct reductions in supplies stemming from the campus closure and the cancellation of all international trips due to the pandemic.

- Student services increased due primarily to providing $836,000 in emergency student grants directly to students as part of the CARES Act HEERF funding.

- Information technology increased due to $125,000 in purchases of data and voice equipment for the WHIC and general increased costs of $193,000 related to maintenance and increased software licenses.

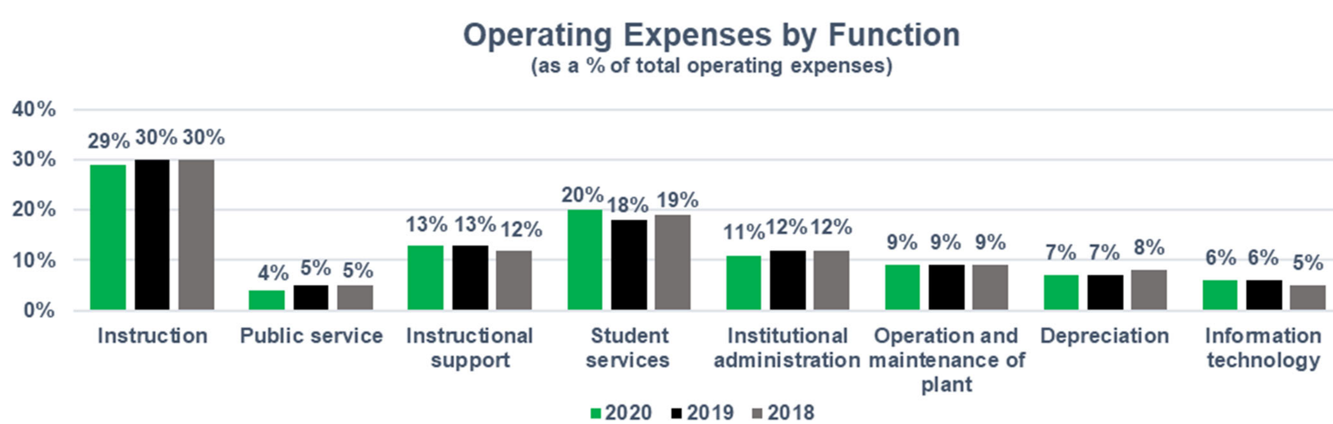
Highlights of the major changes between fiscal years 2019 and 2018 by category are as follows:

- All functional operating expense categories increased in fiscal year 2019 due to a $1.2 million pension liability adjustment; the expense offset was allocated to all functions other than depreciation. Additionally, health expenses increased in fiscal year 2019. Benefit expenses, like wages, are allocated to each functional category based on employee job function.

- Absent the pension adjustment and health expense increase mentioned above, student services decreased $163,000 driven by a $305,000 decrease in Pell funding in fiscal year 2019.

- Operation and maintenance of plant increased due to higher snow removal costs, supplies purchases, and increased maintenance costs.

For external reporting purposes, the College's funds are consolidated and internal expenses are eliminated. The following graph illustrates the composition of operating expenses for the years ended June 30, 2020, 2019, and 2018:



Statements of Cash Flows

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

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

A summary of the College's cash flows for the years ended June 30, 2020, 2019, and 2018 is as follows:

	Cash Flows Years Ended June 30 (in thousands)		
	2020	**2019**	**2018**
Cash (used in) provided by:			
Operating activities	$ (26,582)	$ (22,896)	$ (26,747)
Noncapital financing activities	31,193	30,714	30,275
Capital financing activities	(13,314)	(4,127)	(5,935)
Investing activities	5,004	7,482	(2,849)
Net increase (decrease) in cash	(3,699)	11,173	(5,256)
Cash and cash equivalents, beginning of year	16,670	5,497	10,753
Cash and cash equivalents, end of year	$ 12,971	$ 16,670	$ 5,497

Cash inflows from operating activities include receipts for tuition and fees, grants, contracts, and auxiliary activities, which include student housing, the Dennos Museum, University Center, Hagerty Center, and the bookstore. These cash inflows are offset by outflows for vendor and employee payroll payments. For fiscal year 2020, net cash used in operating activities increased due to increased payments to suppliers and reductions in receipts for tuition, fees, and auxiliary activities. For fiscal year 2019, net cash used in operating activities decreased due to increases in Federal grant funding and timing of payments to vendors.

Cash inflows provided by noncapital financing activities include primarily receipts for the College's nonoperating revenues such as state appropriations, property taxes, Pell grants, and support from the Foundation for purposes other than capital. The increase in fiscal year 2020 is due to primarily to increased receipts for property taxes. The increase in fiscal year 2019 is due to increased funding from the Foundation.

Cash used in capital and related financing activities increased in fiscal year 2020 due to the WHIC construction payments and receipt of the related capital funding from the State. Cash used in capital and related financing activities decreased in fiscal year 2019 due to the College's $7.3 million bond issuance in July 2018, the proceeds of which were not fully spent during the year.

Cash provided by or used in investing activities fluctuates depending on the timing of purchases and sales of investments. Cash provided by investing activities decreased in 2020 due to less investment activity. In the prior year, the College had investments in commercial paper that matured in late June 2019; those funds weren't reinvested until early July 2019, resulting in a reported cash increase as of the end of the fiscal year.

Capital Assets

At June 30, 2020, the College had $169 million invested in capital assets before accumulated depreciation of $85 million. Depreciation charges totaled $4.4 million for the current fiscal year. Details of these assets are as follows:

	Capital Assets as of June 30 (in thousands)		
	2020	2019	2018
Land and land improvements	$ 10,374	$ 10,324	$ 10,786
Infrastructure	7,845	7,845	7,923
Buildings and improvements	98,729	98,463	99,444
Furniture, fixtures, and equipment	31,378	30,494	35,418
Construction in progress	20,195	6,779	1,518
Capital assets	$ 168,521	$ 153,905	$ 155,089

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

Debt Administration

The College's most recent bond rating by Standard & Poor's was AA. The College's most recent bond rating by Moody's was A1. The College had the following outstanding debt balances at June 30, 2020, 2019, and 2018:

	Debt Outstanding as of June 30 (in thousands)		
	2020	2019	2018
Bonds payable	$ 26,675	$ 30,801	$ 27,552

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

Economic Factors That Will Affect the Future

The economic outlook for the College is strongly tied to national and state economic conditions. Although federal and state appropriations have been determined for the upcoming fiscal year, it is important to note that in times of financial constraint, such funding can be adversely impacted. The College currently faces a volatile, uncertain economy due to the ongoing COVID-19 pandemic. In times of increasing unemployment, colleges traditionally see increases in enrollment as students forgo a weak job market to seek new skills or learn a new trade. However, that traditional cycle was counteracted by ongoing public health concerns and the unpredictability of the economy. The College anticipates enrollment may continue to decline during the lingering pandemic. There is further uncertainty as to whether remote learning environments will attract or deter students.

Additionally, regional, state, and national data all indicate declining trends in birth rates and numbers of high school graduates. The College combats these trends through its strategic plan, which addresses the decline in student enrollment by investing in select programs that will attract students from outside the region. The plan provides a diverse learning experience for regional students, which may lead to increases in the College's market share. The College has also responded to increased uncertainty by investing in new innovative facilities, continuing to build reserves, and expanding global opportunities for students.

The College will receive a 0.3% increase in state appropriations for general operations during fiscal year 2021 based on the baseline appropriations for fiscal year 2020. Since the College balanced its budget based on a 15% decrease, this will generate a substantial surplus in 2021 to be used for technology upgrades, increased staffing, and other needs. The College's fiscal year 2021 budget also includes increased property tax revenue of 3.0% for expected increases in taxable values. For tuition, the College charges rates based on the primary residence of the student, including categories for in-district, in-state, out of state, or international. Further, the College uses a tiered structure to accommodate higher-cost programs such as its maritime, culinary, automotive, audio-technology, and nursing programs. In response to our students' economic challenges faced during the pandemic, The Board of Trustees approved keeping tuition flat for fiscal year 2021. The College's Fall 2021 contact hours decreased only 8.6% against a budgeted 15% decrease.

The College has separate labor agreements with its maintenance, custodial, and grounds employees, its faculty, and its academic chairs. The maintenance, custodial, and grounds agreement expires December 31, 2022. The faculty and academic chair agreements expire July 31, 2022. The 2021 fiscal year budget includes employee salary increases, however the actual allocation will be determined after Fall enrollment and other factors are known. Approximately 85% of College employees participate in the MPSERS, which mandates employer contributions to the plan. Required employer contribution rates have been on the rise in efforts to fully-fund and provide economic certainty for retiree pension and healthcare benefits. While there are various plans within the MPSERS, the contribution rate for the plan with the majority of the College's employees was set at 28.21% for fiscal year 2021. Contribution rates for future years are unknown, but are expected to continue trending upwards.

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

Following the private sector's adoption of balance sheet accounting for leases, the Governmental Accounting Standards Board issued GASB Statement No. 87, *Leases,* in June 2017 which is effective for the College's fiscal year 2021. The statement addresses the accounting for short and long-term leases for lessors and lessees. Since the College does not currently have significant leasing arrangements, this standard is not expected to have a significant impact on its operations. The College will continue to monitor the impact of GASB 87.

The College is self-funded for its employee health benefit costs. Employees are now required to contribute to the plan with the enactment of Public Act 152 of 2011. The College's healthcare costs have stabilized in recent years. The College has reviewed its cash flow data and reserve funds. Northwestern Michigan College is financially positioned to continue normal operations.

Board of Trustees

June 30, 2020

Statement of Net Position

June 30, 2020 and 2019

	2020	2019
Assets		
Current assets:		
Cash and cash equivalents (Note 3)	$ 9,578,355	$ 4,389,227
Receivables - Net (Note 5)	10,871,304	5,325,675
Prepaid expenses and other assets	1,165,689	1,319,800
Total current assets	21,615,348	11,034,702
Noncurrent assets:		
Restricted cash and cash equivalents - Unspent bond proceeds (Note 3)	3,392,945	12,281,270
Investments (Note 3)	13,509,912	17,939,677
Capital assets - Net (Note 6)	83,144,942	72,873,221
Total noncurrent assets	100,047,799	103,094,168
Total assets	121,663,147	114,128,870
Deferred Outflows of Resources (Note 9)	19,332,965	20,030,315
Liabilities		
Current liabilities:		
Accounts payable	4,466,942	3,751,460
Accrued liabilities and other:		
Accrued wages and benefits	2,555,579	2,337,819
Accrued interest payable	133,050	154,281
Unearned revenue	1,329,242	1,287,180
Long-term obligations - Current (Note 7)	2,543,222	5,427,473
Total current liabilities	11,028,035	12,958,213
Noncurrent liabilities:		
Net pension liability (Note 9)	57,892,016	54,492,788
Net OPEB liability (Note 9)	12,287,488	14,250,585
Long-term obligations - Net of current portion (Note 7)	25,768,628	27,072,191
Deposits	1,425,478	1,690,867
Total noncurrent liabilities	97,373,610	97,506,431
Total liabilities	108,401,645	110,464,644
Deferred Inflows of Resources (Note 9)	11,968,257	11,200,064
Net Position		
Net investment in capital assets	59,659,246	54,163,144
Unrestricted (Note 10)	(39,033,036)	(41,668,667)
Total net position	**$ 20,626,210**	**$ 12,494,477**

See notes to financial statements.

Statement of Revenue, Expenses, and Changes in Net Position

Years Ended June 30, 2020 and 2019

	2020	2019
Operating Revenue		
Student tuition and fees - Net of scholarship allowance of $3,057,180 and $2,977,840 for 2020 and 2019, respectively	$ 18,310,823	$ 20,710,933
Federal grants and contracts	1,962,027	2,354,867
State grants and contracts	134,563	176,851
Private gifts, grants, and contracts	42,550	77,106
Other sources	1,448,985	2,138,296
Sales and services of auxiliary activities	3,938,053	4,529,064
Total operating revenue	25,837,001	29,987,117
Operating Expenses		
Instruction	17,775,423	18,535,825
Public service	2,483,841	2,976,869
Academic support	7,738,665	7,747,625
Student services	12,417,175	11,130,007
Institutional administration	6,888,414	7,445,206
Operation and maintenance of plant	5,190,386	5,429,816
Depreciation	4,435,278	4,588,501
Information technology	3,835,361	3,534,236
Total operating expenses	60,764,543	61,388,085
Operating Loss	(34,927,542)	(31,400,968)
Nonoperating Revenue (Expense)		
State appropriations	11,448,288	12,062,867
Federal Pell grants	4,286,174	4,245,684
Federal CARES Act funding	1,679,357	-
Property taxes	14,076,230	13,555,959
Support from component unit	4,649,330	3,630,753
Investment income	574,459	1,112,795
Bond issuance and amortization costs	24,874	1,395
Interest expense on capital-related debt	(878,437)	(959,326)
Total nonoperating revenue	35,860,275	33,650,127
Income - Before capital contributions - State capital appropriations	932,733	2,249,159
Capital Contributions - State capital appropriations	7,199,000	-
Change in Net Position	8,131,733	2,249,159
Net Position - Beginning of year	12,494,477	10,245,318
Net Position - End of year	**$ 20,626,210**	**$ 12,494,477**

Northwestern Michigan College

Statement of Cash Flows

Years Ended June 30, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Tuition and fees	$ 17,779,663	$ 19,982,402
Grants and contracts	2,429,789	2,506,275
Payments to suppliers	(33,622,940)	(31,483,257)
Payments to employees	(18,763,876)	(20,666,697)
Auxiliary activities receipts	3,938,053	4,529,064
Other	1,657,363	2,236,370
Net cash and cash equivalents used in operating activities	(26,581,948)	(22,895,843)
Cash Flows from Noncapital Financing Activities		
Federal direct lending receipts	6,805,346	7,826,771
Federal direct lending disbursements	(6,805,346)	(7,826,771)
Property taxes	11,163,672	10,685,705
Gifts and contributions for other than capital purposes	3,350,776	3,785,861
State appropriations	12,392,204	11,996,592
Pell grants	4,286,174	4,245,684
Net cash and cash equivalents provided by noncapital financing activities	31,192,826	30,713,842
Cash Flows from Capital and Related Financing Activities		
Purchase of capital assets	(14,707,000)	(9,315,680)
Proceeds from the sale of capital assets	67,647	-
Principal paid on capital debt	(4,095,000)	(4,020,000)
Proceeds from capital debt	-	7,300,000
Interest paid on capital debt	(905,667)	(960,842)
Capital property taxes	2,912,558	2,870,254
Capital appropriations	3,413,163	-
Net cash and cash equivalents used in capital and related financing activities	(13,314,299)	(4,126,268)
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	45,298,927	44,273,061
Interest and investment gain - Net	619,165	1,511,441
Purchase of investments - Net	(40,913,868)	(38,302,480)
Net cash and cash equivalents provided by investing activities	5,004,224	7,482,022
Net (Decrease) Increase in Cash and Cash Equivalents	(3,699,197)	11,173,753
Cash and Cash Equivalents - Beginning of year	16,670,497	5,496,744
Cash and Cash Equivalents - End of year	**$ 12,971,300**	**$ 16,670,497**
Classification of Cash and Cash Equivalents		
Cash and cash equivalents	$ 9,578,355	$ 4,389,227
Restricted cash and cash equivalents	3,392,945	12,281,270
Total cash and cash equivalents	**$ 12,971,300**	**$ 16,670,497**

See notes to financial statements.

Statement of Cash Flows (Continued)

Years Ended June 30, 2020 and 2019

	2020	2019
Reconciliation of Operating Loss to Net Cash and Cash Equivalents from Operating Activities		
Operating loss	$ (34,927,542)	$ (31,400,968)
Adjustments to reconcile operating loss to net cash and cash equivalents from operating activities:		
Depreciation	4,435,278	4,588,501
(Gain) loss on disposal of assets	(67,646)	856,619
Changes in assets and liabilities:		
Receivables	191,194	(422,323)
Prepaid expenses and other assets	154,111	(18,647)
Deferred outflows of resources	697,350	(8,341,959)
Accounts payable	715,482	2,322,760
Accrued liabilities and other	217,760	27,702
Unearned revenue	(223,327)	(310,683)
Compensated absences	(61,941)	99,922
Net pension liability	3,399,228	6,461,089
Net OPEB liability	(1,963,097)	(2,269,487)
Deferred inflows of resources	851,202	5,511,631
Net cash and cash equivalents used in operating activities	**$ (26,581,948)**	**$ (22,895,843)**

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

June 30, 2020 and 2019

	2020	2019
Assets		
Cash and cash equivalents	$ 6,045,962	$ 3,567,135
Investments	41,051,581	40,589,791
Pledges receivable - Net of allowance	2,533,006	5,617,706
Cash surrender value of life insurance	486,007	446,853
Prepaid expenses and other assets	19,910	5,094
Total assets	**$ 50,136,466**	**$ 50,226,579**
Liabilities		
Accounts payable	$ 14,677	$ 9,936
Deferred revenue	91,876	80,602
Payable to Northwestern Michigan College	2,189,544	892,625
Split-interest agreements payable	76,683	80,442
Total liabilities	2,372,780	1,063,605
Net Assets		
Without donor restrictions	4,294,908	4,462,425
With donor restrictions	43,468,778	44,700,549
Total net assets	47,763,686	49,162,974
Total liabilities and net assets	**$ 50,136,466**	**$ 50,226,579**

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

Years Ended June 30, 2020 and 2019

	2020	2019
Revenue, Gains, and Other Support		
Contributions	$ 2,729,175	$ 6,957,382
Special event revenue	268,430	291,290
Net realized and unrealized (losses) gains on investments	(468,608)	854,696
Investment income	1,021,632	940,935
Change in value of split-interest agreements	(5,515)	(8,222)
Total revenue, gains, and other support	3,545,114	9,036,081
Expenses		
Program expenses - Distributions to College	3,666,233	3,374,069
Management and general	63,345	74,958
Fundraising	1,214,824	1,010,603
Total expenses	4,944,402	4,459,630
Change in Net Assets	(1,399,288)	4,576,451
Net Assets - Beginning of year	49,162,974	44,586,523
Net Assets - End of year	**$ 47,763,686**	**$ 49,162,974**

Note 1 - Significant Accounting Policies

Reporting Entity

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

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

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

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

Basis of Accounting

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

Cash and Cash Equivalents

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

Restricted Cash and Cash Equivalents

Cash and investments that were received from the issuance of the 2016 Community College Facilities Bonds and the 2018 Community College Facilities Bonds are restricted for the use of capital projects. Property taxes collected from the College's debt millage are restricted for principal and interest payments on the 2009 Community College Refunding Bonds and 2015 Community College Refunding Bonds.

Investments

Investments are reported at fair value. Realized and unrealized gains and losses are reflected in the statement of revenue, expenses, and changes in net position as investment income. During fiscal years 2020 and 2019, there was $44,706 and $398,646 of unrealized gains, respectively, on investments the College recognized.

Note 1 - Significant Accounting Policies (Continued)

Capital Assets

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

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

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

Deferred Outflows of Resources

In addition to assets, the statement of net position and/or balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until then. The College reports deferred outflows of resources for certain pension-related and OPEB-related amounts, such as change in expected and actual experience, changes in assumptions, and certain contributions made to the plan subsequent to the measurement date. More detailed information can be found in Note 9.

Unearned Revenue

Revenue received prior to year end that is related to the next fiscal period is recorded as unearned revenue or deposits. It consists of approximately $152,000 and $170,000 for the 2020 and 2019 fall semesters, respectively; approximately $731,000 and $959,000 for the 2020 and 2019 summer semesters, respectively; approximately $235,000 and $484,000, respectively, for 2020 and 2019 unearned flight fees for the College's aviation program; and approximately $62,000 and $24,000, respectively, for 2020 and 2019 housing payable for the Maritime program. Grants received prior to qualifying expenses of approximately $384,000 and $133,000 for 2020 and 2019, respectively, are also included in unearned revenue. Generally, the College first applies restricted resources when an expense is incurred for which both restricted and unrestricted resources are available.

Pension

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

Note 1 - Significant Accounting Policies (Continued)

Other Postemployment Benefit Costs

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

Deferred Inflows of Resources

In addition to liabilities, the statement of net position and/or balance sheet will 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 a future period and so will not be recognized as an inflow of resources (revenue or expense reduction) until that time. The College reports deferred inflows of resources for certain pension-related and OPEB-related amounts, such as the difference between projected and actual earnings of the plan's investments. More detailed information can be found in Note 9.

Net Position

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

Tuition and Fees

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

Scholarship Discounts and Allowances

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

Note 1 - Significant Accounting Policies (Continued)

Grants and Contributions

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

Federal Financial Assistance Programs

The College participates in federally funded Pell grants, SEOG grants, Federal Work-Study, Federal Direct Lending programs, and CARES Act Higher Education Emergency Relief Fund (HEERF) Student Emergency grants. Federal programs are audited in accordance with Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

During the years ended June 30, 2020 and 2019, the College distributed $6,805,346 and $7,826,771, respectively, for direct lending through the U.S. Department of Education, which is not included as revenue and expenditures on the accompanying financial statements.

Sales and Services of Auxiliary Activities

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

Operating and Nonoperating Revenue and Expenses

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

Internal Service Activities

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including October 14, 2020, which is the date the financial statements were available to be issued.

Note 1 - Significant Accounting Policies (Continued)

Significant Event Impacting the College

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic, now known as COVID-19. In response to the COVID-19 pandemic, governments have taken preventive or protective actions, such as temporary closures of nonessential businesses and shelter-in-place guidelines for individuals. As a result, the global economy has been negatively affected, and the College's operations were also impacted. Due to the shelter-in-place guidelines during April and May 2020, the College shifted to a remote online learning environment and sent students home. The closure of campus resulted in lost auxiliary revenue for the year ended June 30, 2020. In response to the pandemic, the College worked to reduce expenditures, which included some reduction to the workforce. To offset the financial impact to students and the losses incurred by the College due to the disruption caused by COVID-19, the College received grants and other relief primarily from the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The College was allocated Higher Education Emergency Relief Fund grants totaling $2,124,216, of which 50 percent was required to be given directly to students. The College also received $104,000 of Strengthening Institutions Program funding as part of HEERF. For the year ended June 30, 2020, the College recognized HEERF grant revenue totaling $1,679,357. Subsequent to June 30, 2020, the College’s August state appropriation payment was adjusted to $0, and the College received Coronavirus Relief Funds (CRF) of $1.1 million, which must be spent by December 30, 2020 on expenditures related to COVID-19. The severity of the continued impact due to COVID-19 on the College’s financial condition, results of operations, or cash flows will depend on a number of factors, including, but not limited to, the duration and severity of the pandemic and the extent and severity of the impact on the College's community, all of which are uncertain and cannot be predicted.

Upcoming Accounting Pronouncements

In January 2017, the Governmental Accounting Standards Board issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The College is currently evaluating the impact this standard will have on the financial statements when adopted; however, the adoption of this new standard is not expected to have a material impact on the College's financial statements. The provisions of this statement, which were originally effective for the College's financial statements for the year ended June 30, 2020, were extended to June 30, 2021 with the issuance of GASB Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance*.

In June 2017, the Governmental Accounting Standards Board issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The College is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement, which were originally effective for the College's financial statements for the year ending June 30, 2021, were extended to June 30, 2022 with the issuance of GASB Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance*.

Note 2 - Property Taxes

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

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

During the years ended June 30, 2020 and 2019, 2.1339 mills and 2.1439 mills, respectively, of tax per $1,000 of taxable property value in the College’s taxing district were levied for general operating purposes on all property. Total operating property tax revenue was $11,163,672 and $10,685,705 for the years ended June 30, 2020 and 2019, respectively.

During the years ended June 30, 2020 and 2019, 0.55 mills and 0.57 mills, respectively, of tax per $1,000 of taxable property value in the College’s taxing district were levied for debt retirement purposes. Total property tax revenue was $2,912,558 and $2,870,254 for the years ended June 30, 2020 and 2019, respectively, for retirement of debt related to the 2009 and 2015 bond issues.

The College’s property tax revenue is affected by tax abatements entered into by other governments. The College’s property tax revenue was reduced as follows for the years ended June 30, 2020 and 2019:

	2020	2019
City of Traverse City, Michigan	$ 193,022	$ 156,742
Blair Township	4,935	134
East Bay Township	2,488	3,223
Fife Lake Township	945	979
Garfield Township	77,110	76,910
Green Lake Township	8,386	8,922
Acme Township	400	394
Paradise Township	812	912
Long Lake Township	3,680	-
Peninsula Township	1,420	1,436
Total	$ 293,198	$ 249,652

Note 3 - Deposits and Investments

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

	2020	2019
Cash and cash equivalents	$ 9,578,355	$ 4,389,227
Investments	13,509,912	17,939,677
Restricted cash and cash equivalents	3,392,945	12,281,270
Total deposits and investments	$ 26,481,212	$ 34,610,174

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

Note 3 - Deposits and Investments (Continued)

The College has designated Fifth Third Bank, Chemical Bank, Huntington Bank, and Chase Bank for the deposit of its funds.

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

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the College's deposits may not be returned to it. The College's investment policy requires that financial institutions be evaluated, and only those with an acceptable risk level for custodial credit risk are used for the College's deposits. The College thoroughly examines the banks with which it chooses to deposit funds for the following qualifications: federally chartered, State of Michigan qualified depository, Federal Reserve System, FDIC member, compliance with Community Reinvestment Act, Bauer bank rating of adequate to good, and Bankrate rating of sound to performing. As of June 30, 2020, the College's operations and debt deposit balances of $4,129,550 had $285,752 of bank deposits (checking and savings accounts) that were uninsured and uncollateralized. As of June 30, 2019, the College's operations and debt deposit balances of $2,263,586 had $159,521 of bank deposits (checking and savings accounts) that were uninsured and uncollateralized. The College believes that, due to the dollar amount of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits.

Custodial Credit Risk of Investments

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

Interest Rate Risk

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

Credit Risk

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

Concentration of Credit Risk

The College’s policy minimizes concentration of credit risk by requiring diversification of the investment portfolio so that the impact of the potential losses from any one type of security or issuer will be minimized. Furthering the College’s safety in investments is the federal government’s guarantee of the Federal Home Loan Bank, Federal National Mortgage Association, and Federal Home Loan Mortgage Corporation’s bond debt. Standard & Poor's credit ratings for these investments are AA+.

Note 3 - Deposits and Investments (Continued)

At year end, the College had the following investments and maturities, which include debt securities (other than the U.S. government) held by counterparties that possess Moody's quality ratings of Aaa:

	2020				
Description	Carrying Value	Less Than 1 Year	1-5 Years	5-10 Years	More Than 10 Years
Federal Farm Credit Banks Bond	$ 4,995,000	$ -	$ 4,995,000	$ -	$ -
Federal Farm Credit Banks Bond	5,000,250	-	5,000,250	-	-
Federal Home Loan Mortgage Corporation	3,002,760	-	3,002,760	-	-
Total investments in debt securities	$ 12,998,010	$ -	$ 12,998,010	$ -	$ -

	2019				
Description	Carrying Value	Less Than 1 Year	1-5 Years	5-10 Years	More Than 10 Years
Federal Home Loan Mortgage Step	$ 1,298,388	$ -	$ 1,298,388	$ -	$ -
Federal Home Loan Mortgage Step	1,000,500	-	1,000,500	-	-
Federal Home Loan Bank Step	1,500,180	-	1,500,180	-	-
Federal Home Loan Bank Step	998,950	-	998,950	-	-
Federal Home Loan Mortgage Step	1,198,299	-	1,198,299	-	-
Federal Home Loan Mortgage Step	1,000,700	-	1,000,700	-	-
Federal Home Loan Bank Step	1,998,940	-	1,998,940	-	-
Federal Home Loan Bank Step	2,000,240	-	2,000,240	-	-
Federal Home Loan Bank Step	988,800	-	-	988,800	-
Federal Home Loan Bank Step	997,140	-	-	997,140	-
Federal Home Loan Bank Step	988,540	-	-	988,540	-
Federal National Mortgage Assoc Step	1,994,240	-	-	-	1,994,240
Federal Home Loan Bank Step	1,467,750	-	-	-	1,467,750
Total investments in debt securities	$ 17,432,667	$ -	$ 10,996,197	$ 2,974,480	$ 3,461,990

Note 4 - Fair Value Measurements

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

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

Note 4 - Fair Value Measurements (Continued)

U.S. government obligations totaling $12,998,010 and $17,432,667 for June 30, 2020 and 2019, respectively, are valued on a recurring basis using quoted market prices (Level 1 inputs). Money market accounts totaling $9,643,552 and $15,547,990 and certificates of deposit accounts totaling $511,902 and $507,010 for June 30, 2020 and 2019, respectively, are valued at amortized cost and are not subject to fair value measurements.

Note 5 - Accounts Receivable

The following is the detail of accounts receivable:

	2020	2019
Student	$ 1,932,964	$ 1,875,986
Grants and contracts	2,211,197	571,634
State appropriations	4,930,628	2,171,716
Foundation	2,136,034	837,480
Third party and other	418,210	525,616
Gross accounts receivable	11,629,033	5,982,432
Allowance for doubtful accounts	(757,729)	(656,757)
Total accounts receivable - Net	$ 10,871,304	$ 5,325,675

Note 6 - Capital Assets

Capital asset activity for the years ended June 30, 2020 and 2019 was as follows:

	Balance July 1, 2019	Additions	Disposals	Transfers	Balance June 30, 2020
Capital assets not being depreciated:					
Land	$ 4,626,042	$ -	$ -	$ -	$ 4,626,042
Construction in progress	6,778,645	13,416,275	-	-	20,194,920
Art collection	1,581,685	67,196	-	-	1,648,881
Subtotal	12,986,372	13,483,471	-	-	26,469,843
Capital assets being depreciated:					
Infrastructure	7,845,246	-	-	-	7,845,246
Buildings and improvements	98,463,069	265,457	-	-	98,728,526
Docks	2,359,401	-	-	-	2,359,401
Furniture, fixtures, and equipment	26,553,108	907,571	(90,557)	-	27,370,122
Land improvements	5,697,892	50,500	-	-	5,748,392
Subtotal	140,918,716	1,223,528	(90,557)	-	142,051,687
Accumulated depreciation:					
Infrastructure	6,806,295	174,758	-	-	6,981,053
Buildings and improvements	45,659,004	2,653,114	-	-	48,312,118
Docks	1,831,612	65,001	-	-	1,896,613
Furniture, fixtures, and equipment	21,696,573	1,453,952	(90,557)	-	23,059,968
Land improvements	5,038,383	88,453	-	-	5,126,836
Subtotal	81,031,867	4,435,278	(90,557)	-	85,376,588
Net capital assets being depreciated	59,886,849	(3,211,750)	-	-	56,675,099
Capital assets - Net	$ 72,873,221	$ 10,271,721	$ -	$ -	$ 83,144,942

Note 6 - Capital Assets (Continued)

	Balance July 1, 2018	Additions	Disposals	Transfers	Balance June 30, 2019
Capital assets not being depreciated:					
Land	$ 4,626,042	$ -	$ -	$ -	$ 4,626,042
Construction in progress	1,517,961	5,993,671	-	(732,987)	6,778,645
Art collection	1,146,681	435,004	-	-	1,581,685
Subtotal	7,290,684	6,428,675	-	(732,987)	12,986,372
Capital assets being depreciated:					
Infrastructure	7,923,216	35,600	(113,570)	-	7,845,246
Buildings and improvements	99,443,811	1,056,304	(2,731,540)	694,494	98,463,069
Docks	1,842,308	478,600	-	38,493	2,359,401
Furniture, fixtures, and equipment	32,428,947	1,316,502	(7,192,341)	-	26,553,108
Land improvements	6,160,463	-	(462,571)	-	5,697,892
Subtotal	147,798,745	2,887,006	(10,500,022)	732,987	140,918,716
Accumulated depreciation:					
Infrastructure	6,716,864	191,204	(101,773)	-	6,806,295
Buildings and improvements	45,015,256	2,704,260	(2,060,512)	-	45,659,004
Docks	1,792,465	39,147	-	-	1,831,612
Furniture, fixtures, and equipment	27,310,792	1,540,478	(7,154,697)	-	21,696,573
Land improvements	5,251,391	113,411	(326,419)	-	5,038,383
Subtotal	86,086,768	4,588,500	(9,643,401)	-	81,031,867
Net capital assets being depreciated	61,711,977	(1,701,494)	(856,621)	732,987	59,886,849
Capital assets - Net	$ 69,002,661	$ 4,727,181	$ (856,621)	$ -	$ 72,873,221

The College's construction of the West Hall Innovation Center was active as of June 30, 2020. Total construction commitments for this project were approximately $3,699,000 as of June 30, 2020.

Note 7 - Long-term Obligations

Long-term debt activity for the years ended June 30, 2020 and 2019 can be summarized as follows:

	2020				
	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds payable:					
2009 Community College Refunding Bonds	$ 420,000	$ -	$ (420,000)	$ -	$ -
2012 Community College Refunding Bonds	525,000	-	(170,000)	355,000	175,000
2015 Community College Refunding Bonds	2,485,000	-	(2,485,000)	-	-
2016 Community College Facilities Bonds	19,760,000	-	(755,000)	19,005,000	780,000
2018 Community College Facilities Bonds	7,040,000	-	(265,000)	6,775,000	275,000
Total principal outstanding	30,230,000	-	(4,095,000)	26,135,000	1,230,000
Unamortized bond premiums	570,747	-	(30,873)	539,874	30,874
Total bonds payable	30,800,747	-	(4,125,873)	26,674,874	1,260,874
Accrued vacation and sick leave	1,384,570	1,134,530	(1,079,872)	1,439,228	1,199,000
Voluntary separation plan	314,347	-	(116,599)	197,748	83,348
Total long-term obligations	$ 32,499,664	$ 1,134,530	$ (5,322,344)	$ 28,311,850	$ 2,543,222

	2019				
	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds payable:					
2009 Community College Refunding Bonds	$ 820,000	$ -	$ (400,000)	$ 420,000	$ 420,000
2012 Community College Refunding Bonds	690,000	-	(165,000)	525,000	170,000
2015 Community College Refunding Bonds	4,955,000	-	(2,470,000)	2,485,000	2,485,000
2016 Community College Facilities Bonds	20,485,000	-	(725,000)	19,760,000	755,000
2018 Community College Facilities Bonds	-	7,300,000	(260,000)	7,040,000	265,000
Total principal outstanding	26,950,000	7,300,000	(4,020,000)	30,230,000	4,095,000
Unamortized bond premiums	601,620	-	(30,873)	570,747	30,874
Total bonds payable	27,551,620	7,300,000	(4,050,873)	30,800,747	4,125,874
Accrued vacation and sick leave	1,292,848	1,102,833	(1,011,111)	1,384,570	1,185,000
Voluntary separation plan	306,148	104,000	(95,801)	314,347	116,599
Total long-term obligations	$ 29,150,616	$ 8,506,833	$ (5,157,785)	$ 32,499,664	$ 5,427,473

Principal and interest on the 2015 Community College Refunding Bonds and 2009 Community College Refunding Bonds are payable from the proceeds of ad valorem taxes levied on all taxable properties in the College's taxing district without limitation as to rate or amount.

Note 7 - Long-term Obligations (Continued)

Community College Refunding Bonds, 2009

The College issued $3,645,000 in Unlimited Tax General Obligation Refunding Bonds with an interest rate of 2.5 percent to 4.25 percent to refund $3.795 million of outstanding 1999 Series Bonds with an interest rate of 4.92 to 5.75 percent, maturing in 2020. The bonds are payable from tax revenue of the College in installments ranging from $380,000 to $420,000, are callable at a premium, and mature at varying amounts through 2020. As of June 30, 2020 and 2019, the 1999 Series 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.

Community College Refunding Bonds, 2012

The College issued $1,620,000 in General Obligation - Limited Tax Refunding Bonds with an interest rate of 2.05 percent to refund $1.635 million of outstanding 2002 Series Bonds with an interest rate of 4.625 to 5.15 percent, maturing in 2022. The 2012 bonds are payable from operating revenue of the College in installments ranging from $165,000 to $180,000, are callable at a premium, and mature at varying amounts through 2022. As of June 30, 2020 and 2019, the 2002 Series 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.

Community College Refunding Bonds, 2015

The College issued $12,200,000 in Unlimited Tax General Obligation Refunding Bonds with an interest rate of 0.7 percent to 1.80 percent to refund $12.1 million of outstanding 2005 Series Bonds with an interest rate of 5.00 percent, maturing in 2020. The bonds are payable from tax revenue of the College in installments ranging from $2,445,000 to $2,485,000, are callable at a premium, and mature at varying amounts through 2020. As of June 30, 2020 and 2019, the 2005 Series 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.

Community College Facilities Bonds, 2016

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

Community College Facilities Bonds, 2018

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

Accrued Vacation and Sick Leave

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

Note 7 - Long-term Obligations (Continued)

Voluntary Separation Plan

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

Debt Service Requirements to Maturity

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

Years Ending June 30	Principal	Interest	Total
2021	$ 1,230,000	$ 803,390	$ 2,033,390
2022	1,275,000	767,465	2,042,465
2023	1,135,000	730,213	1,865,213
2024	1,175,000	695,425	1,870,425
2025	1,215,000	659,413	1,874,413
2026-2030	6,805,000	2,708,763	9,513,763
2031-2035	8,165,000	1,584,150	9,749,150
2036-2038	5,135,000	311,250	5,446,250
Total	$ 26,135,000	$ 8,260,069	$ 34,395,069

Note 8 - Line of Credit

The College previously had a line of credit agreement with a bank with available borrowings of $2,000,000 and was collateralized by substantially all assets of the College. There were no borrowings outstanding on the line of credit as of June 30, 2019. The line of credit matured in 2020 and was not renewed.

Note 9 - Retirement Plans

Plan Description

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

The System, and all assumptions therein, is administered by the Office of Retirement Services (ORS). The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplemental information for the pension and post-employment health care plans. That report is available on the web at http://www.michigan.gov/orsschools or by writing to the Office of Retirement Services at 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909.

Benefits Provided

Benefit provisions of the defined benefit (DB) pension plan and the postemployment health care plan are established by state statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit pension plan and the postemployment health care plan.

Note 9 - Retirement Plans (Continued)

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

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

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

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

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

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

Contributions

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

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

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

Note 9 - Retirement Plans (Continued)

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

The ranges of rates are as follows:

	Pension	OPEB
October 1, 2017 - January 31, 2018	13.54% - 17.89%	7.42% - 7.67%
February 1, 2018 - September 30, 2018	13.54% - 19.74%	7.42% - 7.67%
October 1, 2018 - September 30, 2019	13.39% - 19.59%	7.57% - 7.93%
October 1, 2019 - September 30, 2020	13.39% - 19.59%	7.57% - 8.09%

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

The College's required and actual pension contributions to the plan for the years ended June 30, 2020 and 2019 were $4,742,602 and $4,857,930, respectively, which include the College's contributions required for those members with a defined contribution benefit. The College's required and actual pension contributions include an allocation of $1,964,280 and $2,047,289 in revenue received from the State of Michigan and remitted to the System to fund the MPSERS unfunded actuarial accrued liability (UAAL) stabilization rate for the years ended June 30, 2020 and 2019, respectively.

The College's required and actual OPEB contributions to the plan for the years ended June 30, 2020 and 2019 were $1,258,330 and $1,303,326, respectively, which include the College's contributions required for those members with a defined contribution benefit.

Net Pension Liability

At June 30, 2020 and 2019, the College reported a liability of $57,892,016 and $54,492,788, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2019 and 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2018 and 2017, which used update procedures to roll forward the estimated liability to September 30, 2019 and 2018. The College's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2019, 2018, and 2017, the College's proportion was 0.174812 percent, 0.181269 percent, and 0.185350 percent, respectively, representing a change of (3.561940) and (2.201683) percent, respectively.

Net OPEB Liability

At June 30, 2020 and 2019, the College reported a liability of $12,287,488 and $14,250,585, respectively, for its proportionate share of the net OPEB liability. The net OPEB liability for was measured as of September 30, 2019 and 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2018 and 2017, which used update procedures to roll forward the estimated liability to September 30, 2019 and 2018. The College’s proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2019, 2018, and 2017, the College’s proportion was 0.171189 percent, 0.179276 percent, and 0.186550 percent, respectively, representing a change of (4.511283) and (3.899073) percent, respectively.

Note 9 - Retirement Plans (Continued)

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

For the years ended 2020 and 2019, the College recognized pension expense of $8,572,592 and $6,840,723, respectively, inclusive of payments to fund the MPSERS UAAL stabilization rate. At June 30, 2020 and 2019, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 259,490	$ (241,404)	$ 252,857	$ (395,990)
Changes in assumptions	11,335,297	-	12,620,485	-
Net difference between projected and actual earnings on pension plan investments	-	(1,855,341)	-	(3,725,922)
Changes in proportion and differences between the College's contributions and proportionate share of contributions	262,191	(2,146,629)	706,523	(1,278,148)
The College's contributions to the plan subsequent to the measurement date	3,945,524	-	4,036,172	-
Total	$ 15,802,502	$ (4,243,374)	$ 17,616,037	$ (5,400,060)

The $1,964,280 and $2,047,289 reported as deferred inflows of resources resulting from the pension portion of state aid payments received pursuant to the UAAL payment will be recognized as state appropriations revenue for the year ending June 30, 2021 and year ended June 30, 2020, respectively. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending	Amount
2021	$ 3,253,551
2022	2,309,277
2023	1,454,424
2024	596,352
Total	$ 7,613,604

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

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

For the year ended June 30, 2020 and 2019, the College recognized OPEB expense of $66,740 and $576,682, respectively.

Note 9 - Retirement Plans (Continued)

At June 30, 2020 and 2019, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ (4,508,627)	$ -	$ (2,652,400)
Changes in assumptions	2,662,450	-	1,509,144	-
Net difference between projected and actual earnings on OPEB plan investments	-	(213,685)	-	(547,684)
Changes in proportionate share or difference between amount contributed and proportionate share of contributions	2,825	(1,038,291)	3,967	(552,631)
Employer contributions to the plan subsequent to the measurement date	865,188	-	901,167	-
Total	$ 3,530,463	$ (5,760,603)	$ 2,414,278	$ (3,752,715)

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

Years Ending	Amount
2021	$ (819,587)
2022	(819,587)
2023	(713,453)
2024	(500,530)
2025	(242,171)
Total	$ (3,095,328)

Note 9 - Retirement Plans (Continued)

Actuarial Assumptions

The total pension and OPEB liabilities as of September 30, 2019 and 2018 are based on the results of an actuarial valuation as of September 30, 2018 and 2017, respectively, and rolled forward. The total liabilities were determined using the following actuarial assumptions:

	2020	2019	
Actuarial cost method			Entry age normal
Investment rate of return - Pension	6.00% - 6.80%	6.00% - 7.05%	Net of investment expenses based on the groups
Investment rate of return - OPEB	6.95%	7.15%	Net of investment expenses based on the groups
Salary increases	2.75% - 11.55%	2.75% - 11.55%	Including wage inflation of 2.75%
Health care cost trend rate - OPEB	7.50% (Year 1 graded to 3.5% year 12)	7.50% (Year 1 graded to 3.0% year 12)	
Mortality basis	RP-2014 Male and Female Employee Annuitant Mortality tables, scaled 100% (retirees: 82% for males and 78% for females) and adjusted for mortality improvements using projection scale MP-2017 from 2006	RP-2014 Male and Female Employee Annuitant Mortality tables, scaled 100% (retirees: 82% for males and 78% for females) and adjusted for mortality improvements using projection scale MP-2017 from 2006	
Cost of living pension adjustments	3.00%	3.00%	Annual noncompounded for MIP members

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

Significant assumption changes since the prior measurement date, September 30, 2018, for pension and OPEB include a reduction in both discount rates, continued impact of the updated experience study that resulted in lower than projected per person health benefit costs for OPEB, and favorable investment experience for both plans. There were no significant benefit terms changes for the pension or OPEB plans since the prior measurement date of September 30, 2018.

Discount Rate

The discount rate used to measure the total pension liability was 6.00 to 6.80 percent and 6.00 to 7.05 percent as of September 30, 2019 and 2018, respectively, depending on the plan option. The discount rate used to measure the total OPEB liability was 6.95 and 7.15 percent as of September 30, 2019 and 2018, respectively. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that district contributions will be made at statutorily required rates.

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

Note 9 - Retirement Plans (Continued)

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

	2020		2019	
Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity pools	28.00 %	5.50 %	28.00 %	5.70 %
Private equity pools	18.00	8.60	18.00	9.20
International equity pools	16.00	7.30	16.00	7.20
Fixed-income pools	10.50	1.20	10.50	0.50
Real estate and infrastructure pools	10.00	4.20	10.00	3.90
Absolute return pools	15.50	5.40	15.50	5.20
Short-term investment pools	2.00	0.80	2.00	-
Total	100.00 %		100.00 %	

Long-term rates of return are net of administrative expense and inflation of 2.3 percent.

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

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

	2020		
	1 Percentage Point Decrease (5.00 - 5.80%)	Current Discount Rate (6.00 - 6.80%)	1 Percentage Point Increase (7.00 - 7.80%)
Net pension liability of the College	$ 75,263,324	$ 57,892,016	$ 43,490,603

	2019		
	1 Percentage Point Decrease (5.00 - 6.05%)	Current Discount Rate (6.00 - 7.05%)	1 Percentage Point Increase (7.00 - 8.05%)
Net pension liability of the College	$ 71,544,822	$ 54,492,788	$ 40,325,320

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

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

	2020		
	1 Percentage Point Decrease (5.95%)	Current Discount Rate (6.95%)	1 Percentage Point Increase (7.95%)
Net OPEB liability of the College	$ 15,072,450	$ 12,287,488	$ 9,948,893

Note 9 - Retirement Plans (Continued)

	2019		
	1 Percentage Point Decrease (6.15%)	Current Discount Rate (7.15%)	1 Percentage Point Increase (8.15%)
Net OPEB liability of the College	$ 17,107,538	$ 14,250,585	$ 11,847,539

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

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

	2020		
	1 Percentage Point Decrease (6.50%)	Current Rate (7.50%)	1 Percentage Point Increase (8.50%)
Net OPEB liability of the College	$ 9,849,747	$ 12,287,488	$ 15,072,120
	2019		
	1 Percentage Point Decrease (6.50%)	Current Rate (7.50%)	1 Percentage Point Increase (8.50%)
Net OPEB liability of the College	$ 11,720,949	$ 14,250,585	$ 17,152,594

Pension Plan and OPEB Plan Fiduciary Net Position

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

Payable to the Pension Plan and OPEB Plan

At June 30, 2020, the College reported a payable of $518,011 and $70,250 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2020. At June 30, 2019, the College reported a payable of $547,722 and $79,514 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2019.

Defined Contribution Plan

Effective January 1, 1995, the College adopted a defined contribution retirement plan for qualified employees. Full-time faculty, administrators, and other exempt-status employees can elect to participate with the Teachers' Insurance and Annuity Association College Retirement Equities Fund (TIAA). As of June 30, 2020 and 2019, the plan had 112 and 108 participants, respectively.

The TIAA plan is a defined contribution retirement plan where benefits vest immediately. The College contributes a specified percentage of employee wages and has no liability beyond its own contribution. For the years ended June 30, 2020 and 2019, that contribution rate was determined to be 11.5 percent. This resulted in the College contributing $968,022 and $899,968 for the years ended June 30, 2020 and 2019, respectively, to the plan.

The board of trustees reserves the right to amend or terminate the plan at any time subject to certain provisions.

Note 10 - Unrestricted Net Deficit

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

	2020	2019
Reserved for General Fund state appropriations	$ 2,453,450	$ 2,406,350
Reserved for General Fund medical insurance	470,000	470,000
Reserved for General Fund working capital	5,705,731	3,938,056
Reserved for maintenance and replacement after bond commitments	4,865,653	1,499,396
Reserved for auxiliary expenses	6,269,460	6,053,036
Reserved for unemployment insurance	108,082	108,082
Reserved for medical insurance	-	326,800
Reserved for energy contingency	200,000	200,000
Reserved for MPSERS	832,800	506,000
Reserved for transformation	1,596,084	1,546,084
Reserved for strategic projects	847,386	766,074
Reserved for insurance liability	69,000	69,474
Reserved for wellness initiatives	364,114	355,103
Total reserves before pension and OPEB liabilities	23,781,760	18,244,455
Reserved for OPEB liability fund deficit	(14,517,628)	(15,589,022)
Reserved for pension liability fund deficit	(48,297,168)	(44,324,100)
Total	$ (39,033,036)	$ (41,668,667)

Note 11 - Risk Management

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

Risk-sharing Programs

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

Note 11 - Risk Management (Continued)

Self-insurance

The College is self-insured for unemployment compensation and health benefits. The College estimates the liability for self-insured claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. The estimated liabilities for unemployment compensation for the fiscal years ended June 30, 2020 and 2019 were insignificant. Changes in the estimated liability for the fiscal years ended June 30, 2020 and 2019 for health benefits were as follows:

	Medical Claims		
	2020	2019	2018
Unpaid claims - Beginning of year	$ 139,304	$ 120,767	$ 168,810
Incurred claims, including claims incurred but not reported	3,109,973	3,454,217	3,347,227
Claim payments	(2,916,477)	(3,435,680)	(3,395,270)
Unpaid claims - End of year	$ 332,800	$ 139,304	$ 120,767

Note 12 - Contingent Liabilities

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

Note 13 - Dennos Museum Center

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

	2020	2019
Revenue		
Sales and services	$ 334,898	$ 478,766
Federal grants and contracts	5,000	1,900
State grants and contracts	24,000	21,300
Support from component unit	489,744	1,128,366
Other sources	41,401	80,106
Private gifts, grants, and contracts	-	10,000
Total revenue	895,043	1,720,438
Operating and Capital Expenses		
Public service	886,527	1,382,838
Operations and maintenance of plant	152,365	180,442
Total operating and capital expenses	1,038,892	1,563,280
Change in Net Position before Transfers	(143,849)	157,158
Transfers Out	(143,807)	(148,681)
Change in Net Position	(287,656)	8,477
Net Position - Beginning of year	8,922	445
Net Position (Deficit) - End of year	$ (278,734)	$ 8,922

Note 14 - Northwestern Michigan College Foundation

Contributions Receivable

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

	2020	2019
Gross promises to give before unamortized discount	$ 2,703,710	$ 5,918,839
Less allowance for uncollectible contributions	(15,000)	(15,000)
Less allowance for net present value discount	(155,704)	(286,133)
Total	$ 2,533,006	$ 5,617,706

Amounts due in less than one year and amounts due between one and five years total $865,335 and $1,667,671, respectively.

Investments

Investments at the Foundation are as follows:

	2020	2019
Mutual funds	$ 31,001,873	$ 31,126,058
U.S. Treasury securities	3,901,201	3,518,934
Corporate bonds	6,148,507	5,944,799
Total	$ 41,051,581	$ 40,589,791

Net realized gains from security transactions for the Foundation for the years ended June 30, 2020 and 2019 were $376,109 and $345,451, respectively. Net unrealized gains from security transactions for the Foundation for the years ended June 30, 2020 and 2019 were $844,717 and $509,245, respectively. The mutual funds and U.S. Treasury securities are valued using Level 1 inputs, while the corporate bonds are valued using Level 2 inputs.

Net Assets

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

	2020	2019
Quasi endowment	$ 1,250,411	$ 1,203,702
Undesignated net assets	3,044,497	3,258,723
Total	$ 4,294,908	$ 4,462,425

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

	2020	2019
Subject to expenditure for a specified purpose or the passage of time:		
University Center	$ 1,683,130	$ 1,741,771
Programs and scholarships	20,625,041	21,088,674
Dennos Museum Center	6,478,732	7,859,397
Great Lakes Campus	1,035	1,035
Not subject to appropriation or expenditure:		
Endowment - Programs and scholarships	10,472,915	9,823,803
Endowment - Dennos Museum Center	4,207,925	4,185,869
Total	$ 43,468,778	$ 44,700,549

Required Supplemental Information

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

Last Six Plan Years

Plan Years Ended September 30

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

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

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

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

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

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

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

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

Last Six Fiscal Years

Years Ended June 30

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

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

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

Last Three Plan Years

Plan Years Ended September 30

	2019	2018	2017
College's proportion of the net OPEB liability	0.17119 %	0.17928 %	0.18655 %
College's proportionate share of the net OPEB liability	$ 12,287,488	$ 14,250,585	$ 16,520,072
College's covered payroll	$ 15,079,019	$ 15,354,013	$ 15,460,385
College's proportionate share of the net OPEB liability as a percentage of its covered payroll	81.49 %	92.81 %	106.85 %
Plan fiduciary net position as a percentage of total OPEB liability	48.67 %	43.10 %	36.53 %

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

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

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

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

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

Last Three Fiscal Years

Years Ended June 30

	2020	2019	2018
Statutorily required contribution	$ 1,148,856	$ 1,192,398	$ 1,109,834
Contributions in relation to the statutorily required contribution	1,148,856	1,192,398	1,109,834
Contribution Deficiency	**$ -**	**$ -**	**$ -**
College's Covered Payroll	$ 14,429,193	$ 15,279,724	$ 15,376,191
Contributions as a Percentage of Covered Payroll	7.96 %	7.80 %	7.22 %

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

Other Supplemental Information

Other Supplemental Information
Combining Statement of Net Position

June 30, 2020
(with comparative totals for 2019)

	Current Funds									
	General Fund	Board-designated Fund	Auxiliary Fund	Pension and OPEB Liability Fund	Restricted Fund	Plant Fund	Loan Fund	Agency Fund	2020	2019
Assets										
Current assets:										
Cash and cash equivalents	$ 9,574,730	$ -	$ 3,550	$ -	$ -	$ -	$ -	$ 75	$ 9,578,355	$ 4,389,227
Receivables - Net	4,460,600	-	152,436	-	2,159,780	3,793,128	296,755	8,605	10,871,304	5,325,675
Prepaid expenses and other assets	659,564	-	394,674	-	6,108	6,645	-	98,698	1,165,689	1,319,800
Due (to) from other funds	(13,462,043)	4,025,999	6,107,656	-	(2,254,911)	3,961,087	(296,755)	1,918,967	-	-
Total current assets	1,232,851	4,025,999	6,658,316	-	(89,023)	7,760,860	-	2,026,345	21,615,348	11,034,702
Noncurrent assets:										
Restricted cash and cash equivalents	-	-	-	-	-	3,392,945	-	-	3,392,945	12,281,270
Investments	13,509,912	-	-	-	-	-	-	-	13,509,912	17,939,677
Capital assets - Net	-	-	-	-	-	83,144,942	-	-	83,144,942	72,873,221
Total noncurrent assets	13,509,912	-	-	-	-	86,537,887	-	-	100,047,799	103,094,168
Total assets	14,742,763	4,025,999	6,658,316	-	(89,023)	94,298,747	-	2,026,345	121,663,147	114,128,870
Deferred Outflows of Resources	-	-	-	19,332,965	-	-	-	-	19,332,965	20,030,315
Liabilities										
Current liabilities:										
Accounts payable	1,273,346	8,533	178,843	-	19,201	2,965,925	-	21,094	4,466,942	3,751,460
Accrued liabilities and other:										
Accrued wages and benefits	922,386	-	-	-	-	-	-	1,633,193	2,555,579	2,337,819
Accrued interest payable	-	-	-	-	-	133,050	-	-	133,050	154,281
Unearned revenue	1,144,514	-	26,461	-	158,237	-	-	30	1,329,242	1,287,180
Long-term obligations - Current	1,282,348	-	-	-	-	1,260,874	-	-	2,543,222	5,427,473
Total current liabilities	4,622,594	8,533	205,304	-	177,438	4,359,849	-	1,654,317	11,028,035	12,958,213
Noncurrent liabilities:										
Net pension liability	-	-	-	57,892,016	-	-	-	-	57,892,016	54,492,788
Net OPEB liability	-	-	-	12,287,488	-	-	-	-	12,287,488	14,250,585
Long-term obligations - Net of current portion	354,628	-	-	-	-	25,414,000	-	-	25,768,628	27,072,191
Deposits	231,099	-	183,552	-	638,799	-	-	372,028	1,425,478	1,690,867
Total liabilities	5,208,321	8,533	388,856	70,179,504	816,237	29,773,849	-	2,026,345	108,401,645	110,464,644
Deferred Inflows of Resources	-	-	-	11,968,257	-	-	-	-	11,968,257	11,200,064
Net Position										
Net investment in capital assets	-	-	-	-	-	59,659,246	-	-	59,659,246	54,163,144
Unrestricted	9,534,442	4,017,466	6,269,460	(62,814,796)	(905,260)	4,865,652	-	-	(39,033,036)	(41,668,667)
Total net position	**$ 9,534,442**	**$ 4,017,466**	**$ 6,269,460**	**$ (62,814,796)**	**$ (905,260)**	**$ 64,524,898**	**$ -**	**$ -**	**$ 20,626,210**	**$ 12,494,477**

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

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

	Current Funds									
	General Fund	Board-designated Fund	Auxiliary Fund	Pension and OPEB Liability Fund	Restricted Fund	Plant Fund	Loan Fund	Eliminations	2020	2019
Operating Revenue										
Student tuition and fees	$ 21,364,804	$ (3,723)	$ 6,922	$ -	$ -	$ -	$ -	$ (3,057,180)	$ 18,310,823	$ 20,710,933
Federal grants and contracts	1,368,032	-	5,000	-	588,995	-	-	-	1,962,027	2,354,867
State grants and contracts	10,092	-	24,000	-	100,471	-	-	-	134,563	176,851
Private gifts, grants, and contracts	30,513	-	-	-	12,037	-	-	-	42,550	77,106
Expended for plant facilities	-	-	-	-	-	1,290,725	-	(1,290,725)	-	-
Sales and services of auxiliary activities	8,000	-	3,930,053	-	-	-	-	-	3,938,053	4,529,064
Other sources	409,067	-	1,011,469	-	21,249	7,200	-	-	1,448,985	2,138,296
Total operating revenue	23,190,508	(3,723)	4,977,444	-	722,752	1,297,925	-	(4,347,905)	25,837,001	29,987,117
Operating Expenses										
Instruction	16,581,957	(3,838)	-	1,260,463	224,567	415,939	-	(703,665)	17,775,423	18,535,825
Public service	387,488	(534)	1,863,103	171,412	131,897	56,005	-	(125,530)	2,483,841	2,976,869
Academic support	7,047,900	(2,400)	122,294	490,888	79,083	8,205	-	(7,305)	7,738,665	7,747,625
Student services	4,878,216	(1,782)	2,980,062	399,854	7,218,005	-	-	(3,057,180)	12,417,175	11,130,007
Institutional administration	5,823,675	616,066	99,508	271,611	76,005	1,549	-	-	6,888,414	7,445,206
Operation and maintenance of plant	4,514,150	(1,224)	291,941	257,206	21,152	556,099	-	(448,938)	5,190,386	5,429,816
Depreciation	-	-	-	-	-	4,435,278	-	-	4,435,278	4,588,501
Information technology	3,359,386	(879)	-	133,249	46,090	302,802	-	(5,287)	3,835,361	3,534,236
Total operating expenses	42,592,772	605,409	5,356,908	2,984,683	7,796,799	5,775,877	-	(4,347,905)	60,764,543	61,388,085
Operating Loss	(19,402,264)	(609,132)	(379,464)	(2,984,683)	(7,074,047)	(4,477,952)	-	-	(34,927,542)	(31,400,968)
Nonoperating Revenue (Expense)										
State appropriations	11,322,270	-	-	83,009	-	43,009	-	-	11,448,288	12,062,867
Federal Pell grants	-	-	-	-	4,286,174	-	-	-	4,286,174	4,245,684
Federal CARES Act funding	-	-	-	-	1,679,357	-	-	-	1,679,357	-
Property taxes	11,163,672	-	-	-	-	2,912,558	-	-	14,076,230	13,555,959
Support from component unit	849,959	198,148	568,627	-	1,856,117	1,176,479	-	-	4,649,330	3,630,753
Investment income	468,033	-	-	-	-	106,426	-	-	574,459	1,112,795
Bond issuance and amortization costs	-	-	-	-	-	24,874	-	-	24,874	1,395
Interest expense on capital-related debt	-	-	-	-	-	(878,437)	-	-	(878,437)	(959,326)
Total nonoperating revenue	23,803,934	198,148	568,627	83,009	7,821,648	3,384,909	-	-	35,860,275	33,650,127
Capital Contributions - State capital appropriations	-	-	-	-	-	7,199,000	-	-	7,199,000	-
Transfers (Out) In	(1,681,605)	550,832	27,262	-	(1,652,861)	2,756,372	-	-	-	-
Change in Net Position	2,720,065	139,848	216,425	(2,901,674)	(905,260)	8,862,329	-	-	8,131,733	2,249,159
Net Position - Beginning of year	6,814,377	3,877,618	6,053,035	(59,913,122)	-	55,662,569	-	-	12,494,477	10,245,318
Net Position - End of year	**$ 9,534,442**	**$ 4,017,466**	**$ 6,269,460**	**$ (62,814,796)**	**$ (905,260)**	**$ 64,524,898**	**$ -**	**$ -**	**$ 20,626,210**	**$ 12,494,477**