Bay de Noc Community College

Years Ended June 30, 2026 and 2025

Financial Statements and Supplementary Information

Rehmann

BAY DE NOC COMMUNITY COLLEGE

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INDEPENDENT AUDITORS' REPORT

Rehmann

INDEPENDENT AUDITORS' REPORT

November 9, 2026

Board of Trustees
Bay de Noc Community College
Escanaba, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and the discretely presented component unit of ***Bay de Noc Community College*** (the "College"), as of and for the years ended June 30, 2026 and 2025, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

In our opinion, based on our audits and the reports of the other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the College, as of June 30, 2026 and 2025, and the respective changes in financial position and, where applicable, cash flows thereof, for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

Basis for Opinions

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

HLB We are an independent member of THE GLOBAL ADVISORY AND ACCOUNTING NETWORK

Implementation of GASB Statement No. 103

As described in Note 1, during the year ended June 30, 2026, the College implemented the provisions of GASB Statement No. 103, *Financial Reporting Model Improvements,* effective July 1, 2024. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Independent Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued, under separate cover, our report dated November 9, 2026, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.



BAY DE NOC COMMUNITY COLLEGE

Management's Discussion and Analysis

The discussion and analysis of ***Bay de Noc Community College's*** (the "College") financial statements provide an overview of the College's financial activities for the years ended June 30, 2026, 2025 and 2024. Management has prepared the financial statements, the related footnote disclosures, required supplementary information (RSI) and supporting information along with the discussion and analysis. Responsibility for the accuracy and completeness of this information rests with the College's management. This section is intended to assist readers in understanding the College's financial performance and condition and should be read in conjunction with the accompanying financial statements and notes.

If you have questions about this report or require further information, contact Lynn Martinson, Vice President of Finance and Operations at martinsl@baycollege.edu or (906) 217-4023.

Overview of the Financial Statements

Bay de Noc Community College (the "College") issues basic financial statements for a special-purpose government engaged only in business-type activities. The basic financial statements comprise the Statements of Net Position, the Statements of Revenues, Expenses, and Changes in Net Position, and the Statements of Cash Flows, along with notes that are an integral part of the statements. Although the GASB does not require this information to be present for a fair and complete presentation, the statements do provide additional information regarding the activities of the College that are not disclosed in the basic financial statements, and the Iron Mountain Campus - Schedules of Revenues, Expenses, and Changes in Net Position. The College also reports a discretely presented component unit - the ***Bay de Noc Community College Foundation*** (the "Foundation"). These statements present the financial position, operating results, and cash flow activities of the College's business-type activities.

The financial statements of the College are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and follow the financial reporting model established by the Governmental Accounting Standards Board ("GASB") Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities,* and Statement No. 103, *Financial Reporting Model Improvements.*

Financial Summary

The College's statements of net position at June 30, 2026, 2025 and 2024 are summarized as follows:

	2026	2025	2024
Current and other assets	$ 17,817,640	$ 17,088,925	$ 13,200,318
Capital assets, net	31,356,822	29,388,936	30,870,781
Total assets	**49,174,462**	**46,477,861**	**44,071,099**
Deferred outflows of resources	**2,620,350**	**3,490,604**	**4,800,998**
Other liabilities	1,984,491	2,171,508	2,115,424
Long-term liabilities	22,054,024	21,931,915	26,205,152
Total liabilities	**24,038,515**	**24,103,423**	**28,320,576**
Deferred inflows of resources	**5,732,752**	**6,900,801**	**5,950,711**
Net position			
Net investment in capital assets	19,528,569	19,665,986	20,138,773
Restricted-expendable	3,463,789	2,889,876	1,773,189
Unrestricted deficit	(968,813)	(3,591,621)	(7,311,152)
Total net position	**$ 22,023,545**	**$ 18,964,241**	**$ 14,600,810**

Management's Discussion and Analysis

Statements of Revenues, Expenses, and Changes in Net Position

The College's major components of operating results for the years ended June 30, 2026, 2025 and 2024 are summarized as follows:

	2026	2025	2024
Operating revenues			
Net tuition and fees	$ 6,595,467	$ 6,565,469	$ 6,847,776
Federal Pell grants	3,111,642	3,488,342	2,723,873
Other gifts, grants and contracts	2,494,833	2,244,255	2,263,539
Auxiliary activities, net	389,217	357,551	417,806
Other operating revenues	545,911	490,339	431,952
Total operating revenues	**13,137,070**	**13,145,956**	**12,684,946**
Operating expenses			
Instruction	7,634,041	7,451,725	7,651,117
Public service	149,477	161,287	119,444
Instructional support	1,687,032	1,891,800	1,846,333
Student services	4,137,223	4,068,542	4,236,410
Institutional administration	3,847,880	3,151,446	3,117,604
Operations and maintenance of plant	2,053,575	2,033,719	2,088,871
Information technology	2,358,267	1,841,475	1,640,152
Depreciation and amortization	2,932,979	2,379,344	2,474,251
Total operating expenses	**24,800,474**	**22,979,338**	**23,174,182**
Operating loss	**(11,663,404)**	**(9,833,382)**	**(10,489,236)**
Noncapital subsidies			
State appropriations	7,489,904	7,722,106	7,268,041
Property tax levy - operations	3,501,490	3,326,441	3,162,499
Property taxes from Dickinson County	1,358,711	1,309,905	1,230,000
Support from component unit	807,776	673,500	685,745
Total noncapital subsidies	**13,157,881**	**13,031,952**	**12,346,285**
Operating loss and noncapital subsidies	**1,494,477**	**3,198,570**	**1,857,049**

continued...

	2026	2025	2024
Other nonoperating revenues (expenses)			
Interest income	$ 446,629	$ 438,545	$ 306,005
Property tax levy - capital debt retirement	1,533,006	1,447,790	1,370,471
Loss on disposal of capital assets	-	-	(895)
Interest on capital asset - related debt	(414,808)	(323,015)	(353,880)
State capital appropriations	-	-	640,300
Net other nonoperating revenues	**1,564,827**	**1,563,320**	**1,962,001**
Change in net position	**3,059,304**	**4,761,890**	**3,819,050**
Net position, beginning of year, as previously reported	18,964,241	14,600,810	10,781,760
GASB 101 restatement	-	(398,459)	-
Net position, beginning of year, as restated	18,964,241	14,202,351	10,781,760
Net position, end of year	**$ 22,023,545**	**$ 18,964,241**	**$ 14,600,810**

Concluded

Statements of Cash Flows

The following is a summary of the sources and uses of cash for the years ended June 30, 2026, 2025 and 2024:

	2026	2025	2024
Net change in cash from operating activities	$ (14,589,535)	$ (14,489,669)	$ (13,179,218)
Net change in cash from noncapital financing activities	16,165,715	16,563,777	16,608,795
Net change in cash from capital and related financing activities	(1,625,016)	(786,398)	(2,342,610)
Net change in cash from investing activities	446,629	438,545	306,005
Net change in cash, cash equivalents and restricted cash	**397,793**	**1,726,255**	**1,392,972**
Cash, cash equivalents and restricted cash, beginning of year	11,854,515	10,128,260	8,735,288
Cash, cash equivalents and restricted cash, end of year	**$ 12,252,308**	**$ 11,854,515**	**$ 10,128,260**

Management's Discussion and Analysis

Detailed Analyses

Financial Position

2026-2025 Analysis

The primary changes in the assets, deferred outflows of resources, liabilities and deferred inflows of resources of the College between 2026 and 2025 are as follows:

- Current and other assets increased by $0.7 million compared to the prior fiscal year. This increase was primarily driven by a $0.6 million increase in the net postemployment benefits (OPEB) asset due to changes in actuarial assumptions.

- Capital assets grew by $2.0 million compared to the prior fiscal year. This increase is primarily driven by investments in information technology under GASB 96 as well as a new HVAC system in the Joseph Heirman University Center.

- Other liabilities consist of accounts payable, accrued liabilities, and unearned revenue. A net $0.2 million decrease in other liabilities was primarily driven by decreases in accounts payable balances due to timing of vendor payments.

- Long-term liabilities consist of debt, accrued employee retirement benefits, compensated absences and net pension liabilities. Long-term liabilities increased by $0.1 million driven by liabilities related to subscription based IT arrangements offset by scheduled debt payments.

- Deferred outflows and deferred inflows decreased $0.9 million and $1.2 million, respectively, primarily as a result of updates to the College's proportionate share of MPSERS net pension liability and net OPEB asset reported on the Statements of Net Position.

- Overall net position increased by $3.1 million, primarily driven by capital asset additions due to investments in information technology and positive annual actuarial adjustments to the College's proportionate share of the MPSERS net pension liability and net OPEB asset.

2025-2024 Analysis

The primary changes in the assets, deferred outflows of resources, liabilities and deferred inflows of resources of the College between 2025 and 2024 are as follows:

- Current and other assets consist of cash and cash equivalents, receivables, prepaids and other assets, and cash restricted for debt payments. Current and other assets totaled $17.1 million at June 30, 2025 compared to $13.2 million at June 30, 2024. The $3.9 million increase can mostly be attributed to a $1.7 million increase in cash and cash equivalents and a $1.6 million increase in net OPEB asset.

- Capital assets, net totaled $29.4 million at June 30, 2025 and $30.9 million at June 30, 2024. The decrease of approximately $1.5 million is primarily the result of $0.9 million in capital purchases offset by $2.4 million in depreciation expense.

- Other liabilities consist of accounts payable, accrued liabilities, and unearned revenue. Other liabilities were approximately $2.2 million and $2.1 million at June 30, 2025 and June 30, 2024, respectively. This was an increase of approximately $0.1 million from June 30, 2024 due to an increase in accounts payable of $0.2 million partially offset by a decrease in unearned revenue of $0.1 million.

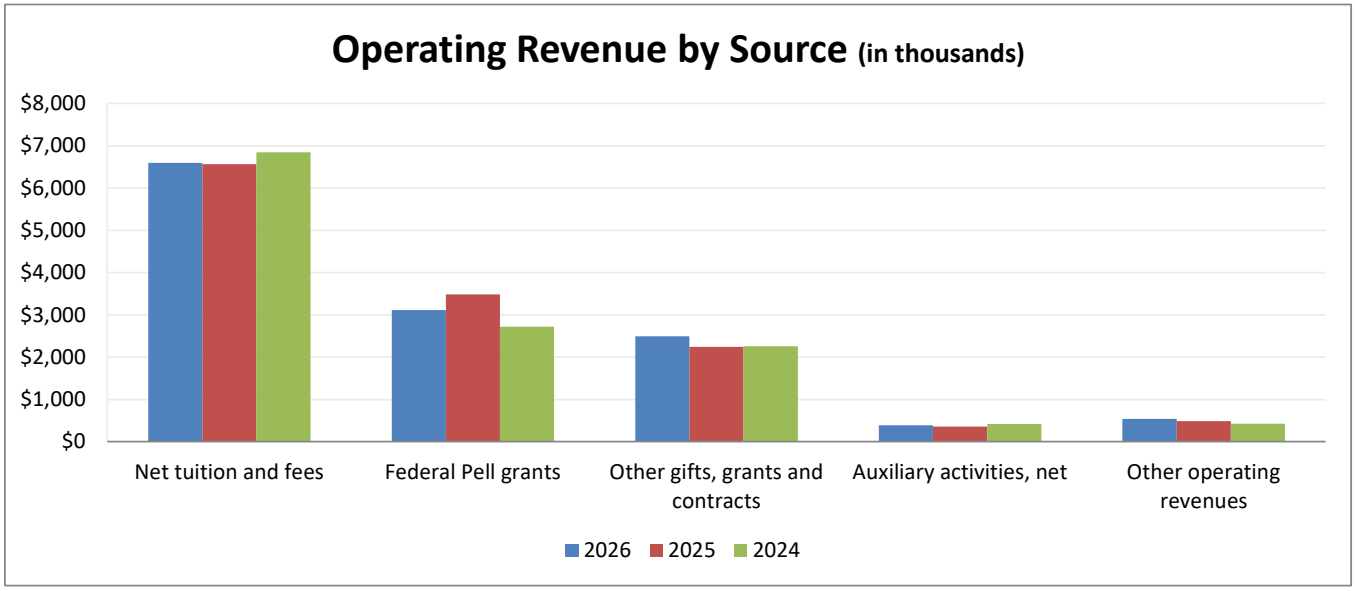
Management's Discussion and Analysis

- Long-term liabilities consists of debt, accrued employee retirement benefits, compensated absences and net pension liabilities. Long-term liabilities decreased from 2024 to 2025 by approximately $4.3 million due to a decrease in the net pension liability of $3.5 million as a result of changes in assumptions used by the actuary and a $1.2 million decrease in long-term debt as a result of annual debt payments, offset by a $0.4 million increase in the compensated absences liability as a result of the implementation of GASB 101.

- Net position increased from 2024 to 2025 by approximately $4.8 million. All funds other than the Pension and OPEB Fund collectively increased $1.9 million while GASB 68 and GASB 75 adjustments in the Pension and OPEB Fund increased net position by $2.9 million.

Operating Revenues

Operating revenues for fiscal years 2026, 2025, and 2024 were as follows:



Management's Discussion and Analysis

Changes in operating revenues from 2025 to 2026 were a result of the following factors:

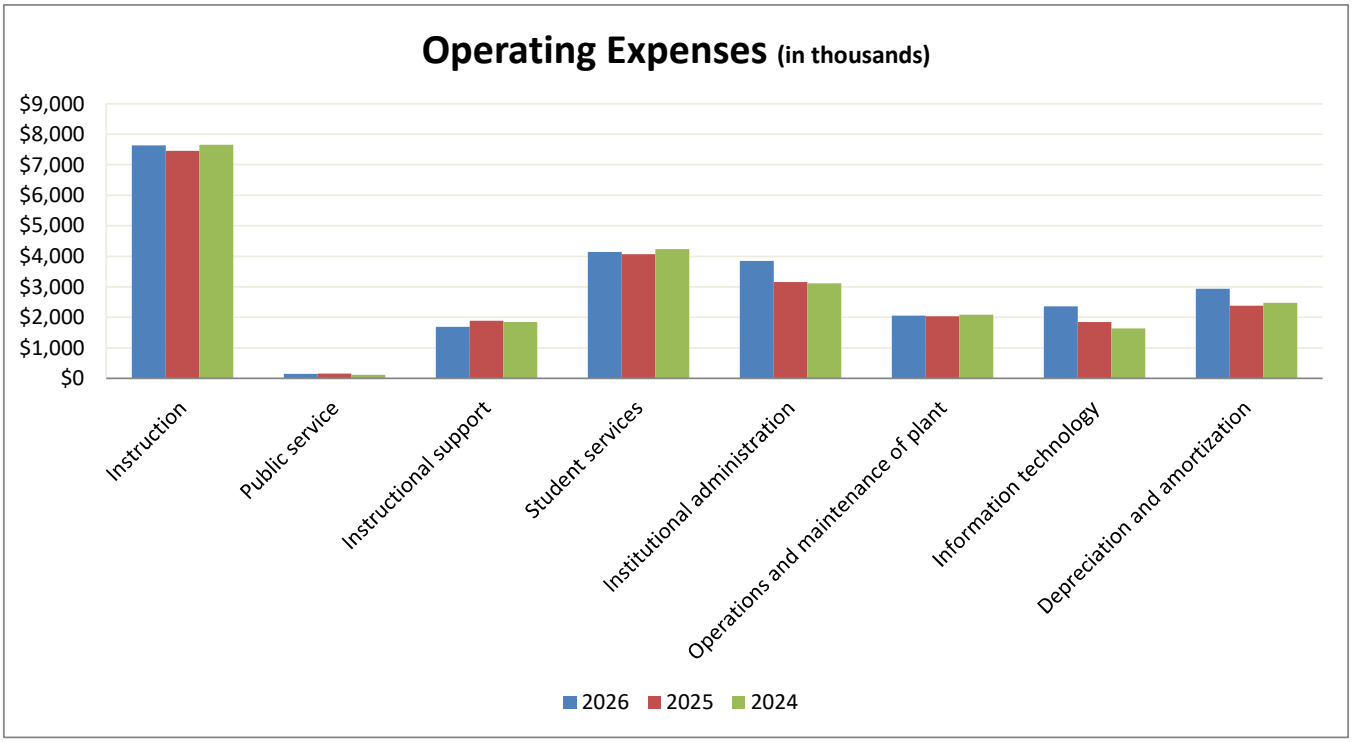
- Total operating revenues remained stable from FY 2025 to FY 2026. Net tuition and fee revenue increased modestly by $30,000 or 0.5%. This slight increase reflects a 3.0% tuition rate increase over the prior fiscal year, partially offset by a decline of 322 contact (billing) hours. Revenue from Federal Pell grants decreased by $377,000 or 10.8% compared to FY 2025. A 5.7% decline in student headcount, representing 152 fewer students, contributed to a reduction of 125 Federal Pell grant recipients in FY 2026. The enrollment decline was largely attributable to the temporary pause of the Practical Nursing (PN) program during the Fall 2025 and Winter 2026 semesters. The PN program resumed at the Escanaba campus in May 2026, and the College anticipates resuming the PN program at the Iron Mountain campus in January 2027. Revenue from Other gifts, grants and contracts increased by $251,000 or 11.2% compared to FY 2025. This increase was primarily driven by two significant grants: the College Success Go Big Grant, which provided an additional $329,000 during the second year of its three-year award period, and the ADN to BSN Grant, which contributed an additional $176,000 and is scheduled to conclude in September 2026. These gains were partially offset by the expiration of several grants, including the MI Reconnect Expansion Grant for $249,000, Academic Catch-Up Grant for $42,000, USDA Grant for $36,000, and MCAN Reconnect Grant for $10,000. Additional decreases resulted from lower funding levels for the Perkins Grant of $12,000, Federal SEOG program of $7,000, and Federal Work-Study Program of $8,000. Revenue from Auxiliary activities increased by $32,000 or 8.9%. This change is due to a $27,000 decrease in the Auxiliary allowance and a $14,000 increase in student housing revenue, partially offset by a $10,000 decrease in bookstore commissions. Other operating revenues are also up $56,000 compared to FY 2025. The increase is primarily attributable to a $70,000 increase in indirect cost recoveries from grants, a $12,000 increase in basketball revenues, a $10,000 increase in baseball revenues, and a $6,000 increase in softball revenues. These gains were partially offset by a $31,000 reduction in wage reimbursements following the end of the shared Career and College Advisor position with the Stephenson High School in FY 2025 and a $14,000 decline in equipment sales related to a one-time sale of replaced facilities equipment in the prior year.

Changes in operating revenues from 2024 to 2025 were a result of the following factors:

- Gross tuition and fee revenue increased $1.2 million over 2024. However, a change in methodology also led to a $1.5 million increase in the scholarship allowance, resulting in a decrease in tuition and fees, net of scholarship allowance of approximately $280,000. This change in methodology has no impact on the change in net position for prior years. The College also saw an increase of $760,000 in revenue from Federal Pell grants, as well as decreases in other gifts, grants, and contracts of approximately $20,000 and other operating revenues of approximately $60,000 partially offset by a decrease in auxiliary activities of approximately $60,000.

Operating Expenses

Operating expenses for fiscal years 2026, 2025, and 2024 were as follows:



Changes in operating expenses from 2025 to 2026 were a result of the following factors:

- Information Technology expenses increased $517,000 or 28.1%, driven primarily by higher contracted services costs associated with training and implementation for the new Ellucian Colleague ERP system. Expenses include $348,000 for Ellucian training and implementation and an additional $52,000 in consulting support from Strata Information Group related to the conversion. These increases were partially offset by a $42,000 reduction in consulting costs from Ferrilli following the completion of the Technology Needs Assessment in FY 2025, as well as a $12,000 decrease in contracted services related to the outgoing Jenzabar ERP system. As of June, the ERP conversion was approximately 78.0% complete, with Financial Aid, Admissions, Records and Registration largely transitioned to the new platform. License fees and copyright costs increased $159,000, primarily due to the expiration of Ellucian's first-year $100,000 implementation discount, a $38,000 increase in Jenzabar licensing costs, and $27,000 in new licensing expenses for Element 451, the College's new CRM platform. In addition, server equipment maintenance costs increased by $22,000 compared to the prior year.

- Depreciation and amortization expense increased $554,000 or 23.3% compared to FY 2025, primarily due to the recognition of Subscription-Based Information Technology Agreements (SBITAs) under GASB 96. While GASB 96 became effective in 2023, the College's SBITA portfolio was not material prior to FY 2026. The increase reflects the continued transition from traditional software licensing to subscription-based software. During FY 2026, the College maintained five active SBITA agreements, including Ellucian Colleague SaaS $502,000, Element 451 CRM $22,000, Touchnet (Ellucian Payment Center) $19,000, AwardSpring Scholarship Software $13,000, and Softdocs Serve Print Customization Tool $5,000. The addition and growing significance of these subscription-based software arrangements resulted in higher amortization expense and contributed significantly to the year-over-year increase in depreciation and amortization costs.

Management's Discussion and Analysis

- Institutional Administration Expenses increased $696,000 or 22.1% compared to FY 2025. Of this increase, $321,000 was supported through the College Success Go Big Grant, including $141,000 in wages and benefits for the newly established Grant Project Navigator and Adult Student Success Coach positions and $109,000 in contracted services for the development of Credit for Prior Learning and Competency-Based Education practices and procedures aimed at supporting adult learners. Grant-funded expenditures also include $42,000 for professional development and training, and $28,000 for licensing fees and copyrights associated with video-based student assessment and career services tools. Additional cost increases included $128,000 in wage-related accruals, influenced by the implementation of GASB 101 related to compensated absences. Advertising and promotional expenses increased by $55,000 for support of the Dickinson County millage renewal campaign. Wages and benefits increased $57,000 related to the establishment of the Manager of People and Organizational Effectiveness position in January 2025. The restructure of the Institutional Advancement department also resulted in an increase of wages and benefits of $49,000. Upon the retirement of the Vice President of Advancement, this position was reorganized into two roles: Executive Director of Advancement and Alumni Relations and Director of Marketing. Other contributing factors included $40,000 in stipend costs for staff supporting the ERP conversion project initiated in FY 2026, $28,000 in additional wages and benefits for the Staff Accountant position due to a vacancy from January to May 2025. Contracted services also increased by $18,000 for accounting support during the ERP conversion and insurance costs rose by $11,000. These increases were partially offset by the absence of $22,000 in executive search consulting costs incurred in FY 2025 and a $14,000 reduction in College-funded professional development expenditures during FY 2026.

- Instructional Support cost decreased $205,000 or 10.8% compared to FY 2025, primarily due to the conclusion of three grants: the ATD Nursing Grant $146,000, Academic Catchup Grant $42,000, and USDA Grant $33,000. The ATD Nursing Grant had supported an Allied Health Co-Advisor position including $63,000 in wages and benefits, $42,000 in indirect costs, $17,000 in professional development and $15,000 in instructional materials. The Academic Catch Up Grant provided funding for $16,000 in wages and benefits, $11,000 in student sponsorships, and $10,000 in instructional materials and supplies. The USDA Grant supported the Forestry and Agriculture Technology program the College offers in partnership with Michigan State University funding including $14,000 in stipends to students, $10,000 in indirect costs, and $5,000 in advertising costs. Additional cost reductions included a $65,000 reduction in wages and benefits resulting from the transition of Testing Services staffing from a full-time position to a part-time position, as well as the purchase of $49,000 in transcription service credits during FY 2025, which met the College's transcription needs for both FY 2025 and FY 2026. These decreases were partially offset by the following increases, $40,000 reduction in the GASB 68/75 Pension and Other Post Employment Benefit ("OPEB") expense (credit) compared to FY 2025, a $26,000 increase in Perkins funded Career Services wages, for a position established in FY 2025, $18,000 additional wages and benefits supported by the ADN to BSN grant, $14,000 in EMS Workforce grant expenses supporting EMT/Paramedic students, and $11,000 in contracted services for the Corrections Academy.

Changes in operating expenses from 2024 to 2025 were a result of the following factors:

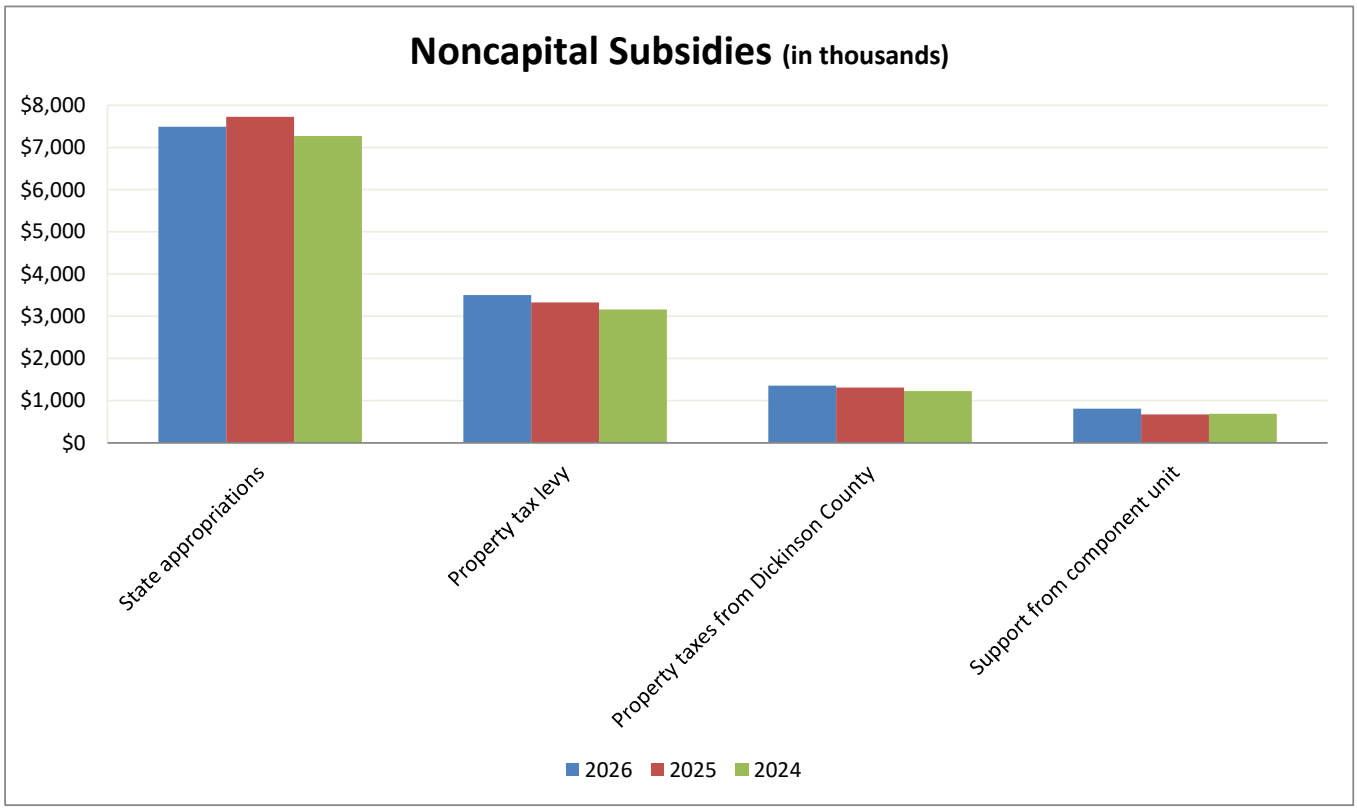
- Information Technology expenses increased by approximately $200,000 or 12.3%, primarily due to initial costs related to the ERP conversion to Ellucian, in the amount of $240,000, an increase of $20,000 in copy costs, a decrease of $21,000 in subscription costs and $17,000 in phone/Internet/cable costs. In addition, in 2024 the College recognized an $80,000 credit related to Pension and OPEB actuarial determined costs that were not received in 2025.

- Instruction expenses decreased by approximately $200,000 or 2.6% primarily due to an additional $350,000 credit related to Pension actuarial determined costs over 2024. A decrease in ORS UAAL contributions of $123,000, decreased reconnect expansion scholarships of $71,000, and $70,000 deduction in benefit costs, partially offset by increases of $274,000 in instructional wages, $134,000 in contracted services, and $24,000 in management and staff wages.

- Student Services expenses decreased approximately $170,000 or 4.0% primarily due to an additional $1.5 million dollar scholarship allowance, as well as an additional $42,000 auxiliary allowance, a $34,000 decrease in advertising and printing, a $31,000 decrease in pension actuarial determined costs, a $28,000 decrease in minor equipment offset by a $765,000 increase in Pell grants, a $400,000 increase in scholarships and grants, a $135,000 increase in wages and benefits, a $92,000 increase in contracted services, a $32,000 increase in transportation, and a $26,000 increase in software licensing costs.

Noncapital Subsidies

Noncapital subsidies for fiscal years 2026, 2025, and 2024 were as follows:



Changes in noncapital subsidies from 2025 to 2026 were primarily the result of the following factors:

- Property tax revenue for operations received from Delta County increased $175,000, driven by a $56.7 million increase in the County's total taxable property value, which rose from $1.50 billion in 2024 to $1.56 billion in 2025. The College receives property tax support for operations through a Headlee-adjusted permanent operating millage of 2.2783 mills (reduced from the originally authorized 2.5 mills). Foundation support also increased by $134,000 or 20.0% as the direct result of additional scholarship funding support for students. These increases were primarily offset by a $232,000, or 3.0% decrease in State appropriations, largely attributable to the elimination of the one-time Section 147a(4) MPSERS Cost Offset payment of $259,000 received in FY 2025.

Changes in noncapital subsidies from 2024 to 2025 were primarily the result of the following factors:

- An increase of $450,000 in state appropriations, $160,000 in Delta county property taxes for operations, and $80,000 in Dickinson county property taxes partially offset by a decrease of $12,000 in support from the Foundation.

Other Nonoperating (Expense) Revenues

Changes in net other nonoperating revenues and expenses from 2025 to 2026 were primarily the result of the following factors:

- Property tax revenue for debt/capital purposes received from Delta County increased $85,000, driven by a $56.7 million increase in the County's total taxable property value, which rose from $1.5 billion in 2024 to $1.56 billion in 2025. The College receives property tax support for debt/capital purposes through a 1.08 mill debt/capital levy, which is authorized through December 31, 2034.

- An increase of $8,000 in interest income due to changes in the market along with an increase of $92,000 in interest expense related to scheduled debt payments.

Changes in net other nonoperating revenues and expenses from 2024 to 2025 were primarily the result of the following factors:

- An increase of $133,000 in interest income due to changes in the market along with a decrease of $31,000 in interest expense related to scheduled debt payments and a decrease of $640,000 of state capital appropriations.

Overall Change in Net Position

Net position increased by $3.1 million in fiscal year 2026, following an increase of $4.8 million in fiscal year 2025. The increases in both years reflect strong nonoperating revenue streams, favorable pension and OPEB related adjustments, and effective financial management.

Significant Capital Asset and Long-term Financing Activity

Capital Assets

As of June 30, 2026, the College had $31.4 million in capital assets, net of accumulated depreciation.

The College's capital asset activity, which consists of additions, disposals, and transfers out of construction in progress, for fiscal year 2026 included the capitalization of $526,000 in Building improvements consisting primarily of a $440,000 replacement of the 900 Building Chiller and $72,000 for exterior painting of the 400 Building. In addition, the College capitalized $463,000 in Furniture, Fixtures, and Equipment including $172,000 for academic equipment, $158,000 for computer replacement between both campuses, $58,000 for a campuswide Security camera upgrade, $38,000 for Audio Visual Technology enhancement across both campuses, and $49,000 for the purchase of a seven-passenger fleet vehicle for the Iron Mountain campus. During fiscal year 2026, the College retired $912,000 of fully depreciated IT equipment that was no longer in service. The retired assets were originally acquired between fiscal years 2011 and 2021. Overall, net capital assets increased approximately $2.0 million from prior year, as current year additions exceeded depreciation related to existing assets.

As of June 30, 2025, the College had $29.4 million in capital assets, net of accumulated depreciation.

Management's Discussion and Analysis

The College's capital asset activity, which consists of additions, disposals, and transfers out of construction in progress, for fiscal year 2025 included the capitalization of $520,000 in Furniture, Fixtures, and Equipment, including $161,000 for academic equipment, $142,000 for computer replacements at both campuses, $103,000 for a facilities tractor at the Iron Mountain campus, $56,000 for commencement related equipment, $8,000 for furniture, and $7,000 for a defibrillator. Land improvements totaled $148,000 consisting of $106,000 for exterior signage at the Escanaba campus. Building improvements of $137,000 included $30,000 for upgrades to the 400 Besse Health and Applied Technology (BHAT) Building, $30,000 for restroom renovations in the 200 Catherine Bonifas (CB) Building, $24,000 for improvements to the 300 Physical Education Center (PEC) Building infrastructure, $17,000 for improvements to the 900 Joseph Heirman University Center (JHUC), $11,000 for enhancements to the Testing Center in the 800 HUB Building, and $6,000 for flooring improvements at the 1500 Extension Center. During fiscal year 2025, the College retired $538,000 of fully depreciated assets that were no longer in service, which included $359,000 in Furniture, Fixtures, and Equipment and $179,000 in Land Improvements. The retired assets were originally acquired between fiscal years 1998 and 2015. Net capital assets decreased slightly from prior year, as depreciation related to existing assets slightly exceeded current year additions.

Debt

The College had approximately $8.9 million and $10.1 million in bond debt, including bond premium, outstanding at June 30, 2026 and 2025, respectively. Debt principal repayments of approximately $1.2 million and $1.2 million were made on this debt during 2026 and 2025, respectively. More detailed information about the College's long-term liabilities is presented in the notes to the financial statements.

The College had approximately $10.1 million and $11.3 million in bond debt, including bond premium, outstanding at June 30, 2025 and 2024, respectively. Debt principal repayments of approximately $1.2 million and $1.1 million were made on this debt during 2025 and 2024, respectively. More detailed information about the College's long-term liabilities is presented in the notes to the financial statements.

Currently Known Facts, Decisions, or Conditions

Bay College continues to advance its Strategic Enrollment Management (SEM) Plan to support enrollment growth and student success. Student housing demand has exceeded available on-campus capacity for the past several years, requiring the College to utilize nearby hotel accommodations to house over flow students, with as many as 60 students most recently residing in off-campus lodging. To address this capacity constraint, the College is planning the construction of a new 100-bed residence facility with an estimated project cost of up to $11 million, including a $2 million institutional equity contribution. This planned investment is expected to expand on-campus housing capacity, enhance the residential student experience and support future enrollment growth by increasing the College's ability to serve students seeking campus-based housing.

The College received planning authorization from the State of Michigan Capital Outlay process for a Manufacturing Innovation Center through Public Act 121 of 2023 with a total project cost of $1,875,000, consisting of a State share of $937,500 and a College share of $937,500 which will be funded through bonding. This project will renovate and repurpose the existing Shipping and Receiving Building by reducing the current footprint and converting underutilized space into flexible industrial learning environments. The facility will support advanced manufacturing education, customized workforce training, industry partnerships, and hands-on learning opportunities while maximizing utilization of existing infrastructure. Construction authorization was subsequently received through Public Act 21 of 2026. As of October 2026, the College has initiated the Phase 400 Preliminary Design and Development Submission process. Completion of the Manufacturing Innovation Center aligns directly with the College's Five-Year Capital Outlay Plan by supporting workforce development and modernizing existing facilities without expanding institutional footprint.

Management's Discussion and Analysis

As the College develops its Five-Year Capital Outlay Plan, we continue to assess the condition of campus facilities and identify prioritized capital maintenance and improvement projects to address deferred maintenance needs and support long-term operations. In addition to the annual capital budget funded through the Delta County Debt/Capital millage, which provides approximately $850 thousand annually for facility improvements, the College is planning an additional $1.5 million investment through bond financing in the coming year. These investments are intended to preserve and enhance campus infrastructure, address critical facility needs, and support the College's ongoing mission and strategic objectives.

Looking ahead, the FY 2027 College Operating Budget is based on flat enrollment, a 3.0% increase in tuition and housing rates, modest growth in local property tax revenues, and a 4.5% reduction in State appropriations compared with the FY 2026 budget. The budget includes ongoing compensation increases of 3.0% for staff and administration, contractual salary adjustments for faculty, a 2.9% increase in health insurance costs according to the hard cap, and $1.0 million to support implementation of the Ellucian Colleague ERP system. Grant funding continues to advance student success initiatives through the College Success Go Big Grant and BSN Grant programs. Overall, operating expenses are projected to increase by approximately $161,000, or 1.0%, with salaries and benefits accounting for about 20.0% of that growth. To support the final year of the Ellucian ERP implementation and other strategic priorities, the budget includes a planned transfer of $1.2 million from General Fund reserves.

BASIC FINANCIAL STATEMENTS

BAY DE NOC COMMUNITY COLLEGE

Statements of Net Position

	June 30	
	2026	2025
Assets		
Current assets		
Cash and cash equivalents	$ 11,386,547	$ 10,587,988
Cash-restricted for capital improvements	203,454	604,220
Student receivables, net	22,930	35,118
State appropriations receivable	1,360,567	1,302,037
Grants receivable	468,047	611,871
Other receivables, net	454,857	245,005
Due from component unit	126,302	81,024
Prepaids and other current assets	707,318	1,107,957
Total current assets	**14,730,022**	**14,575,220**
Noncurrent assets		
Cash-restricted for debt repayments	662,307	662,307
Net OPEB asset	2,425,311	1,851,398
Capital assets not being depreciated/amortized	1,592,410	1,719,419
Capital assets being depreciated/amortized, net	29,764,412	27,669,517
Total noncurrent assets	**34,444,440**	**31,902,641**
Total assets	**49,174,462**	**46,477,861**
Deferred outflows of resources		
Deferred pension amounts	2,219,672	3,043,292
Deferred OPEB amounts	400,678	447,312
Total deferred outflows of resources	**2,620,350**	**3,490,604**
Liabilities		
Current liabilities		
Accounts payable	217,921	491,274
Accrued payroll and related liabilities	1,095,407	1,062,861
Unearned revenue	220,201	233,364
Interest payable	60,586	33,953
Other current liabilities	390,376	350,056
Current portion of compensated absences	252,387	156,127
Current portion of subscription-based IT arrangement liabilities	584,858	-
Current portion of long-term debt	1,211,288	1,201,288
Total current liabilities	**4,033,024**	**3,528,923**
Noncurrent liabilities		
Compensated absences, net of current portion	715,453	620,003
Subscription-based IT arrangement liabilities, net of current portion	2,487,860	-
Long-term debt, net of current portion	7,732,924	8,944,212
Other accrued employee benefits payable, net of current portion	530,320	552,466
Net pension liability	8,538,934	10,457,819
Total noncurrent liabilities	**20,005,491**	**20,574,500**
Total liabilities	**24,038,515**	**24,103,423**
Deferred inflows of resources		
Deferred pension amounts	3,577,538	4,289,134
Deferred OPEB amounts	2,155,214	2,611,667
Total deferred inflows of resources	**5,732,752**	**6,900,801**
Net position		
Net investment in capital assets	19,528,569	19,665,986
Restricted for:		
Net OPEB asset	2,425,311	1,851,398
Scholarships and grants	376,171	376,171
Construction and debt service	662,307	662,307
Unrestricted deficit	(968,813)	(3,591,621)
Total net position	**$ 22,023,545**	**$ 18,964,241**

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

BAY DE NOC COMMUNITY COLLEGE

Statements of Revenues, Expenses, and Changes in Net Position

	Year Ended June 30	
	2026	2025
Operating revenues		
Tuition and fees	$ 10,123,906	$ 10,328,375
Scholarship allowance	(3,528,439)	(3,762,906)
Net tuition and fees	6,595,467	6,565,469
Federal Pell grants	3,111,642	3,488,342
Other federal grants and contracts	1,871,876	1,738,000
State and local grants and contracts	357,336	360,543
Private gifts, grants and contracts	265,621	145,712
Sales and service of auxiliary activities, net of scholarship allowance of $125,700 ($153,175 for 2025)	389,217	357,551
Other operating revenues	545,911	490,339
Total operating revenues	**13,137,070**	**13,145,956**
Operating expenses		
Instruction	7,634,041	7,451,725
Public service	149,477	161,287
Instructional support	1,687,032	1,891,800
Student services	4,137,223	4,068,542
Institutional administration	3,847,880	3,151,446
Operations and maintenance of plant	2,053,575	2,033,719
Information technology	2,358,267	1,841,475
Depreciation and amortization	2,932,979	2,379,344
Total operating expenses	**24,800,474**	**22,979,338**
Operating loss	**(11,663,404)**	**(9,833,382)**
Noncapital subsidies		
State appropriations	7,489,904	7,722,106
Property tax levy - operations	3,501,490	3,326,441
Property taxes from Dickinson County	1,358,711	1,309,905
Support from component unit	807,776	673,500
Total noncapital subsidies	**13,157,881**	**13,031,952**
Operating loss and noncapital subsidies	**1,494,477**	**3,198,570**
Other nonoperating revenues (expenses)		
Interest income	446,629	438,545
Property tax levy - capital debt retirement	1,533,006	1,447,790
Interest on capital asset - related debt	(414,808)	(323,015)
Net other nonoperating revenues	**1,564,827**	**1,563,320**
Change in net position	**3,059,304**	**4,761,890**
Net position, beginning of year, as previously reported	18,964,241	14,600,810
GASB 101 restatement	-	(398,459)
Net position, beginning of year, as restated	18,964,241	14,202,351
Net position, end of year	**$ 22,023,545**	**$ 18,964,241**

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

BAY DE NOC COMMUNITY COLLEGE

Statements of Cash Flows

	Year Ended June 30	
	2026	2025
Cash flows from operating activities		
Tuition and fees	$ 6,479,826	$ 6,330,872
Grants and other contracts	2,632,285	1,870,716
Auxiliary activities and other revenue	389,217	357,551
Payments to employees	(10,275,971)	(10,043,785)
Payments to suppliers	(14,191,271)	(13,763,352)
Other operating receipts, net	376,379	758,329
Net change in cash from operating activities	**(14,589,535)**	**(14,489,669)**
Cash flows from noncapital financing activities		
State appropriations	7,431,374	7,768,137
Federal Pell grants	3,111,642	3,488,342
Local property taxes and Dickinson County	4,860,201	4,636,346
Federal direct lending receipts	2,243,784	2,579,609
Federal direct lending disbursements	(2,243,784)	(2,579,609)
Gifts and donations	762,498	670,952
Net change in cash from noncapital financing activities	**16,165,715**	**16,563,777**
Cash flows from capital and related financing activities		
Purchase of capital assets	(1,138,070)	(740,269)
Principal paid on long-term debt	(1,195,000)	(1,160,000)
Debt property tax levy	1,533,006	1,447,790
Interest paid on capital asset - related debt	(394,463)	(333,919)
Subscription-based IT arrangements principal payments	(430,489)	-
Net change in cash from capital and related financing activities	**(1,625,016)**	**(786,398)**
Cash flows provided by investing activities		
Interest received on bank deposits	446,629	438,545
Net change in cash, cash equivalents and restricted cash	**397,793**	**1,726,255**
Cash, cash equivalents and restricted cash, beginning of year	11,854,515	10,128,260
Cash, cash equivalents and restricted cash, end of year	**$ 12,252,308**	**$ 11,854,515**
Reconciliation to statements of net position		
Cash and cash equivalents	$ 11,386,547	$ 10,587,988
Cash-restricted for capital improvements	203,454	604,220
Cash-restricted for debt repayments	662,307	662,307
Cash, cash equivalents and restricted cash, end of year	**$ 12,252,308**	**$ 11,854,515**

continued…

BAY DE NOC COMMUNITY COLLEGE

Statements of Cash Flows

	Year Ended June 30	
	2026	2025
Reconciliation of operating loss to net change in cash from operating activities		
Operating loss	$ (11,663,404)	$ (9,833,382)
Adjustments to reconcile operating loss to net change in cash from operating activities		
Federal Pell grants	(3,111,642)	(3,488,342)
Depreciation/amortization	2,932,979	2,379,344
Bad debts	121,038	164,106
Change in operating assets and liabilities which (used) provided cash		
Student receivables	(108,850)	(146,291)
Grants receivable	143,824	(374,436)
Other receivables	(209,852)	233,189
Prepaids and other current assets	(25,842)	(479,916)
Accounts payable	(106,460)	(7,826)
Accrued payroll and related liabilities	32,546	(36,096)
Unearned revenue	(13,163)	(87,409)
Compensated absences	191,710	35,061
Other accrued employee benefits payable	(22,146)	10,438
Other current liabilities	40,320	34,801
Change in net pension liability	(1,918,885)	(3,550,907)
Change in net OPEB asset	(573,913)	(1,602,487)
Change in pension deferred outflows	823,620	907,646
Change in OPEB deferred outflows	46,634	402,748
Change in pension deferred inflows	(711,596)	685,448
Change in OPEB deferred inflows	(456,453)	264,642
Net change in cash from operating activities	**$ (14,589,535)**	**$ (14,489,669)**
Non-cash capital and related financing activity		
Change in payables related to the acquisition of capital assets	$ (166,893)	$ (157,230)
Acquisition of subscription-based IT arrangements	3,503,207	-
		concluded

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

BAY DE NOC COMMUNITY COLLEGE FOUNDATION - Component Unit

Statements of Financial Position

	June 30	
Assets	**2026**	**2025**
Cash and cash equivalents	$ 1,733,664	$ 1,653,798
Accrued income receivable and other assets	58,963	66,540
Contributions receivable	7,583	6,548
Investments	13,761,289	12,447,712
Beneficial interest in trust assets	4,967,526	4,533,232
Beneficial interest in charitable remainder trusts	181,130	162,569
Total assets	**$ 20,710,155**	**$ 18,870,399**
Liabilities and Net Assets		
Liabilities		
Accrued expenses	$ 10,500	$ 10,500
Due to Bay de Noc Community College	126,302	81,024
Deferred revenue	27,770	26,079
Due to William Bonifas Fine Arts Center	663,250	650,378
Total liabilities	**827,822**	**767,981**
Net assets		
Without donor restrictions	1,559,540	1,253,029
With donor restrictions	18,322,793	16,849,389
Total net assets	**19,882,333**	**18,102,418**
Total liabilities and net assets	**$ 20,710,155**	**$ 18,870,399**

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

BAY DE NOC COMMUNITY COLLEGE FOUNDATION - Component Unit

Statements of Activities

	Year Ended June 30	
	2026	2025
Support and gains		
Contributions	$ 848,133	$ 671,300
Investment income, net	1,362,719	1,163,672
Gain on beneficial interest in trusts	568,272	331,439
Total support and gains	**2,779,124**	**2,166,411**
Expenses		
Program		
Scholarships	807,776	673,500
Other	155,209	93,181
Supporting services	177,493	163,443
Total expenses	**1,140,478**	**930,124**
Change in net assets before equity transfer from Bay de Noc Community College	**1,638,646**	**1,236,287**
Equity transfer from Bay de Noc Community College	141,269	129,836
Change in net assets	**1,779,915**	**1,366,123**
Net assets, beginning of year	18,102,418	16,736,295
Net assets, end of year	**$ 19,882,333**	**$ 18,102,418**

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

Notes to Financial Statements

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

The accompanying financial statements as of and for the years ended June 30, 2026 and 2025 include the accounts of all funds of the College and Bay de Noc Community College Foundation (the "Foundation"). The Foundation is considered a component unit of the College in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 61, *The Financial Reporting Entity: Omnibus.* The College reports financial information for the Foundation using a discrete rather than blended presentation because certain criteria are met, including the individual trustees of the Foundation are independently appointed by the Foundation's Board of Trustees. The Foundation is considered a component unit because the Foundation provides support entirely, or almost entirely, to the College through financial support to students.

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

Basis of Presentation

The College's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the GASB, including Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities and the State of Michigan Manual for Uniform Financial Reporting - Michigan Public Community Colleges, 2001,* and GASB Statement No. 103, *Financial Reporting Model Improvements.* The College follows all applicable GASB pronouncements and the "business-type activities" reporting requirements of GASB Statement No. 35 and No. 103.

Change in Accounting Principle

For 2026, the College adopted GASB Statement No. 103, *Financial Reporting Model Improvements,* on a retrospective basis. This new standard introduces targeted enhancements to key components of the financial reporting model in order to improve clarity, consistency, and decision-usefulness of governmental financial statements. As part of the implementation, Management's Discussion and Analysis content is now streamlined to focus on prescribed sections with clearer analytical explanations and reduced duplication. The College has updated reporting processes and presentation formats to comply with these requirements. The adoption of GASB 103, effective July 1, 2024, and as of and for the year ended June 30, 2026, did not have an impact on the College's net position, changes in net position, or overall financial reporting results.

Notes to Financial Statements

Significant Accounting Policies

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

Accrual Basis

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

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates. Significant estimates include the assumptions based on historical trends and industry standards used in the actuarial valuations of the MPSERS pension and other postemployment benefits ("OPEB") plans.

Cash and Cash Equivalents

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

Cash-Restricted for Capital Improvements and Debt

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

Receivables

Accounts receivable are stated at the amount management expects to collect on outstanding balances at year end. Management provides for probable uncollectible amounts through a provision for bad debt when necessary. Balances that are still uncollected after management has used reasonable collection efforts are written off through a charge to the allowance.

Notes to Financial Statements

Capital Assets and Depreciation/Amortization

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

Buildings and building improvements	30-40 years
Library materials	10 years
Land improvements	15 years
Furniture, fixtures and equipment	5-10 years
Vehicles	5-7 years
Subscription assets	3-7 years

Subscription-Based Information Technology Arrangements (SBITA)

The College has noncancellable subscription-based information technology arrangements. The College recognizes a subscription liability and an intangible right-to-use subscription asset in the basic financial statements. The College recognizes subscription liabilities with an initial, individual value of $5,000 or more.

At the commencement of a subscription, the College initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for subscription payments made at or before the subscription commencement date, plus certain initial direct costs. Subsequently, the subscription asset is amortized on a straight-line basis over the term of the agreement or its useful life.

Key estimates and judgments related to subscriptions include how the College determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) subscription term, and (3) subscription payments. The College uses the interest rate charged by the vendor as the discount rate. When the interest rate charged by the vendor is not provided, the College generally uses its estimated incremental borrowing rate as the discount rate. The subscription term includes the noncancellable period of the subscription. Subscription payments included in the measurement of the subscription liability are composed of fixed payments and purchase option price (if applicable) that the College is reasonably certain to exercise.

The College monitors changes in circumstances that would require a remeasurement of its subscription and will remeasure the subscription asset and subscription liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

Notes to Financial Statements

Unearned Revenue

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

Deferred Outflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to one or more future periods and so will not be recognized as an outflow of resources (expense) until then. The College reports deferred outflows of resources for certain pension and OPEB-related amounts. More detailed information can be found in Note 7.

Deferred Inflows of Resources

In addition to liabilities, the statements of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The College reports deferred inflows of resources for certain pension and OPEB-related amounts. More detailed information can be found in Note 7.

Pension Liability and Other Postemployment Benefits ("OPEB") Asset

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

Compensated Absences

The College recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled through payment upon separation from employment. Based on these criteria, two types of leave qualify for liability recognition for compensated absences - vacation and sick leave. The liability for compensated absences includes salary-related benefits, where applicable.

Notes to Financial Statements

Revenue Recognition

The College generally follows the revenue recognition methods set forth in the *Manual For Uniform Financial Reporting - Michigan Public Community Colleges, 2001.* In general, revenues are recognized when earned and expenditures are recognized when the service is provided. Property taxes are recorded as revenue in the year taxes are levied. Under this method, revenue for fiscal year 2026 includes property taxes that were levied on July 1, 2025 and December 1, 2025, which are generally collected before March 1, 2026. Uncollected real property taxes of the College are turned over to Delta County for subsequent collection. State appropriations are recorded as revenue in the period for which they are appropriated.

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

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

Scholarship Allowance

Student tuition and fee revenue, and certain other revenue from students, is reported net of scholarship allowances in the statements of revenues, expenses, and changes in net position. Scholarship allowances are the difference between the stated charge for goods and services provided by the College and the amount that is paid by the 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 allowance.

During the fiscal year ended June 30, 2025, the College revised its methodology for estimating scholarship allowances applied against tuition and fee revenue. Previously, the College employed an allocation-based approach, which utilized summary-level financial aid data due to limitations in system capabilities. In alignment with updated guidance from the National Association of College and University Business Officers (NACUBO Advisory Report 2023-01), and following enhancements to the student information system, the College adopted a student-fiscal year level methodology (Method B). This change allows for more precise identification and classification of discountable student financial aid transactions and improves the accuracy of scholarship allowance estimates. The change in estimate resulted in an increase in the reported scholarship allowance and a corresponding decrease in net tuition and fees revenue. Management believes this change provides a more faithful representation of financial aid activity and complies with GASB Statements No. 34 and 35.

Notes to Financial Statements

Operating Revenue

Operating activities reported on the statements of revenues, expenses, and changes in net position are those activities that generally result from exchange transactions, such as payments received for providing services and payments made for services or goods received. Operating revenues of the College include activities, such as (1) tuition and fees, net of scholarship allowances; (2) Federal Pell grants; (3) auxiliary activities; and (4) most federal, state, and local grants and nonoperating revenues of the College include activities that have the characteristics of nonexchange transactions. Amounts received from another party are considered a noncapital subsidy if it is unrelated to the services provided by the College and keeps the fees charged at the same amount or lower if the subsidy was not received. Noncapital subsidies consist of property taxes, state appropriations, and contributions.

Classification of Expenses

Expenses are recognized when the service is provided or when materials are received. The College has classified expenses as either operating or nonoperating expenses according to the following criteria:

Operating expenses include activities that have the characteristics of exchange transactions, such as (1) employee salaries, benefits, and related expenses; (2) scholarships and fellowships, net of scholarship allowances; (3) utilities, supplies, and other services; (4) professional fees; and (5) depreciation and amortization.

Nonoperating expenses include activities that have the characteristics of nonexchange transactions, such as interest on capital asset-related debt and other expenses that are defined as nonoperating expenses by governmental accounting standards.

Net Position

GASB Statement No. 35, as amended by GASB Statement No. 63, establishes standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting into the following net position categories:

- *Net Investment in Capital Assets:* Capital assets, net of accumulated depreciation/amortization, and outstanding liabilities attributable to the acquisition, construction, or improvement of those assets.

- *Restricted Expendable:* Net position whose use by the College and the Foundation is subject to externally imposed constraints that can be fulfilled by actions of the College and the Foundation pursuant to those constraints or that expire by the passage of time.

- *Restricted Nonexpendable:* Net position subject to donor-imposed constraints that they be maintained permanently by the College and the Foundation. Nonexpendable net position includes the corpus portion (historical value) of contributions to the College's permanent endowment funds.

- *Unrestricted (Deficit):* 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 (the "Board").

Net Investment in Capital Assets

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

	2026	2025
Unspent bond proceeds	$ 203,454	$ 604,220
Capital assets, not being depreciated	1,592,410	1,719,419
Capital assets, being depreciated	29,764,412	27,669,517
Subscription-based IT arrangement liabilities - current portion	(584,858)	-
Subscription-based IT arrangement liabilities - noncurrent portion	(2,487,860)	-
Payables related to the acquisition of capital assets	(14,777)	(181,670)
Long-term obligations - current portion	(1,211,288)	(1,201,288)
Long-term obligations - noncurrent portion	(7,732,924)	(8,944,212)
Total net investment in capital assets	**$ 19,528,569**	**$ 19,665,986**

Internal Services Activities

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

2. CASH AND CASH EQUIVALENTS

College Deposits and Investments

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

Custodial Credit Risk

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

At June 30, 2026 and 2025, the carrying amount of cash deposits at banks for the College totaled $12,252,308 and $11,854,515, respectively, while the bank balances totaled $12,397,552 and $12,393,712, respectively. Of the bank balances, $500,000 was insured at both June 30, 2026 and 2025, and the remaining $11,897,552 and $11,893,712, respectively, was uninsured and uncollateralized.

Notes to Financial Statements

3. CAPITAL ASSETS

The following presents the changes in the various capital asset categories for the year ended June 30, 2026:

	Balance July 1, 2025	Additions	Retirements	Transfers	Balance June 30, 2026
Capital assets not being depreciated/amortized:					
Land	$ 1,321,225	$ -	$ -	$ -	$ 1,321,225
Construction in progress	398,194	54,661	-	(181,670)	271,185
Subtotal, nondepreciable capital assets	**1,719,419**	**54,661**	**-**	**(181,670)**	**1,592,410**
Capital assets being depreciated/amortized:					
Land improvements	2,394,560	6,372	-	-	2,400,932
Building and building improvements	55,644,237	402,360	-	124,124	56,170,721
Furniture, fixtures and equipment	14,561,380	405,238	(912,024)	57,546	14,112,140
Library materials	779,613	-	-	-	779,613
Vehicles	330,911	48,703	-	-	379,614
Subscription assets	-	3,983,531	-	-	3,983,531
Subtotal, depreciable capital assets	**73,710,701**	**4,846,204**	**(912,024)**	**181,670**	**77,826,551**
Less accumulated depreciation/amortization:					
Land improvements	2,021,528	59,727	-	-	2,081,255
Building and building improvements	30,650,345	1,692,287	-	-	32,342,632
Furniture, fixtures and equipment	12,338,589	602,264	(912,024)	-	12,028,829
Library materials	779,613	-	-	-	779,613
Vehicles	251,109	17,730	-	-	268,839
Subscription assets	-	560,971	-	-	560,971
Total accumulated depreciation/amortization	**46,041,184**	**2,932,979**	**(912,024)**	**-**	**48,062,139**
Capital assets being depreciated/amortized, net	**27,669,517**	**1,913,225**	**-**	**181,670**	**29,764,412**
Capital assets, net	**$ 29,388,936**	**$ 1,967,886**	**$ -**	**$ -**	**$ 31,356,822**

Notes to Financial Statements

Construction in progress relates to renovations to enhance the College's facilities. The total expected costs to complete are approximately $13,523,000.

The following presents the changes in the various capital asset categories for the year ended June 30, 2025:

	Balance July 1, 2024	Additions	Retirements	Transfers	Balance June 30, 2025
Capital assets not being depreciated:					
Land	$ 1,321,225	$ -	$ -	$ -	$ 1,321,225
Construction in progress	305,333	238,352	-	(145,491)	398,194
Subtotal, nondepreciable capital assets	**1,626,558**	**238,352**	**-**	**(145,491)**	**1,719,419**
Capital assets being depreciated:					
Land improvements	2,425,943	98,799	(179,182)	49,000	2,394,560
Building and building improvements	55,507,611	64,576	-	72,050	55,644,237
Furniture, fixtures and equipment	14,400,562	495,772	(359,395)	24,441	14,561,380
Library materials	779,613	-	-	-	779,613
Vehicles	330,911	-	-	-	330,911
Subtotal, depreciable capital assets	**73,444,640**	**659,147**	**(538,577)**	**145,491**	**73,710,701**
Less accumulated depreciation:					
Land improvements	2,134,678	66,032	(179,182)	-	2,021,528
Building and building improvements	29,054,754	1,595,591	-	-	30,650,345
Furniture, fixtures and equipment	11,994,517	703,467	(359,395)	-	12,338,589
Library materials	779,613	-	-	-	779,613
Vehicles	236,855	14,254	-	-	251,109
Total accumulated depreciation	**44,200,417**	**2,379,344**	**(538,577)**	**-**	**46,041,184**
Net depreciable capital assets	**29,244,223**	**(1,720,197)**	**-**	**145,491**	**27,669,517**
Capital assets, net	**$ 30,870,781**	**$ (1,481,845)**	**$ -**	**$ -**	**$ 29,388,936**

Notes to Financial Statements

4. LONG-TERM OBLIGATIONS

Changes in long-term obligations for the year ended June 30, 2026 are as follows:

	Balance July 1, 2025	Additions	Reductions	Balance June 30, 2026	Current Portion
Bonds payable					
Facilities bonds of 2015	$ 1,960,000	$ -	$ (190,000)	$ 1,770,000	$ 200,000
Refunding facilities bonds of 2016	925,000	-	(470,000)	455,000	455,000
Facilities bonds of 2016	2,710,000	-	(260,000)	2,450,000	270,000
Facility bonds of 2018	2,515,000	-	(100,000)	2,415,000	100,000
Facility bonds of 2020	1,970,000	-	(175,000)	1,795,000	180,000
Total bonds payable	10,080,000	-	(1,195,000)	8,885,000	1,205,000
Other long-term obligations					
Bond premium	65,500	-	(6,288)	59,212	6,288
Other accrued employee benefits payable (Note 7)	552,466	-	(22,146)	530,320	-
	617,966	-	(28,434)	589,532	6,288
Total long-term obligations	**$ 10,697,966**	**$ -**	**$ (1,223,434)**	**$ 9,474,532**	**$ 1,211,288**

Notes to Financial Statements

Changes in long-term obligations for the year ended June 30, 2025 are as follows:

	Balance July 1, 2024	Additions	Reductions	Balance June 30, 2025	Current Portion
Bonds payable					
Facilities bonds of 2015	$ 2,145,000	$ -	$ (185,000)	$ 1,960,000	$ 190,000
Refunding facilities bonds of 2016	1,380,000	-	(455,000)	925,000	470,000
Facilities bonds of 2016	2,960,000	-	(250,000)	2,710,000	260,000
Facility bonds of 2018	2,610,000	-	(95,000)	2,515,000	100,000
Facility bonds of 2020	2,145,000	-	(175,000)	1,970,000	175,000
Total bonds payable	11,240,000	-	(1,160,000)	10,080,000	1,195,000
Other long-term obligations					
Bond premium	71,788	-	(6,288)	65,500	6,288
Other accrued employee benefits payable (Note 7)	542,028	10,438	-	552,466	-
	613,816	10,438	(6,288)	617,966	6,288
Total long-term obligations	**$ 11,853,816**	**$ 10,438**	**$ (1,166,288)**	**$ 10,697,966**	**$ 1,201,288**

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

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

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

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

Notes to Financial Statements

Future debt service requirements on bonds payable for years ending after June 30, 2026 are as follows:

Year Ending June 30	Principal	Interest	Total
2027	$ 1,205,000	$ 269,819	$ 1,474,819
2028	775,000	237,069	1,012,069
2029	800,000	214,519	1,014,519
2030	830,000	191,219	1,021,219
2031	855,000	167,019	1,022,019
2032-2036	3,230,000	457,038	3,687,038
2037-2041	815,000	159,100	974,100
2042-2043	375,000	15,100	390,100
	$ 8,885,000	**$ 1,710,883**	**$ 10,595,883**

5. COMPENSATED ABSENCES

The following is a summary of the changes in compensated absences (including current portion) of the College for the years ended June 30, 2026 and 2025:

	Balance July 1, 2025	Additions	Deductions	Balance June 30, 2026	Due Within One Year
Compensated absences	$ 776,130	$ 191,710	$ -	$ 967,840	$ 252,387

	Balance July 1, 2024	Additions	Deductions	Balance June 30, 2025	Due Within One Year
Compensated absences	$ 741,069	$ 35,061	$ -	$ 776,130	$ 156,127

The change reported above for compensated absences is the net change for the year.

Notes to Financial Statements

6. LOCAL PROPERTY TAX LEVY

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

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

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

7. RETIREMENT BENEFITS AND DEFERRED COMPENSATION

Defined Benefit Plan

Plan Description

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

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

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

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

Notes to Financial Statements

Pension Benefits Provided

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

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

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

Notes to Financial Statements

Other Postemployment Benefits Provided

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

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

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

Contributions

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2024 valuation will be amortized over a 14-year period beginning October 1, 2024 and ending September 30, 2038.

Notes to Financial Statements

The table below summarizes pension contribution rates in effect for fiscal year 2026, which excludes supplemental MPSERS UAAL employer stabilization contributions that are passed through the College to MPSERS based on rates ranging from 10.58% - 15.02% on prior year covered payroll:

Benefit Structure	Member Rates	Employer Rates
Basic	0.00% - 4.00%	26.08% - 30.11%
Member Investment Plan (MIP)	3.00% - 7.00%	26.08% - 30.11%
Pension Plus	3.00% - 6.40%	21.34% - 26.27%
Pension Plus 2	6.00% - 6.20%	21.41% - 27.16%
Defined Contribution	0.00%	15.21% - 20.96%

Required contributions to the pension plan from the College were $1,789,204, $1,838,452 and $1,757,089 for the years ended June 30, 2026, 2025 and 2024, respectively.

The table below summarizes OPEB contribution rates in effect for fiscal year 2026:

Benefit Structure	Member Rates	Employer Rates
Premium Subsidy	0.00% - 3.00%	1.25% - 3.83%
Personal Healthcare Fund (PHF)	0.00%	0.00%

Required contributions to the OPEB plan from the College were $81,955, $104,842 and $353,979 for the years ended June 30, 2026, 2025 and 2024, respectively.

The table below summarizes defined contribution rates in effect for fiscal year 2026:

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

For the years ended June 30, 2026, 2025 and 2024, required and actual contributions from the College for those members with a defined contribution benefit were $71,081, $67,556 and $64,009, respectively.

Notes to Financial Statements

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

At June 30, 2026 and 2025, the College reported a liability of $8,538,934 and $10,457,819, respectively, for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2025 and 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2024 and 2023. The College's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2025, the College's proportion was 0.04262%, which was a decrease of 0.00010% points from its proportion measured as of September 30, 2024 of 0.04272%.

For the year ended June 30, 2026, the College recognized pension benefit of $92,281. At June 30, 2026, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

2026	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	$ 330,737	$ 76,056	$ 254,681
Changes in assumptions	306,487	451,303	(144,816)
Net difference between projected and actual earnings on pension plan investments	-	2,040,622	(2,040,622)
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	340,811	(340,811)
	637,224	2,908,792	(2,271,568)
College contributions subsequent to the measurement date	1,582,448	-	1,582,448
Pension portion of Sec 147c state aid award subsequent to the measurement date	-	668,746	(668,746)
	1,582,448	668,746	913,702
Total	**$ 2,219,672**	**$ 3,577,538**	**$ (1,357,866)**

Notes to Financial Statements

The amount reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2027. The amount reported as deferred inflows of resources resulting from the pension portion of State appropriations payments received pursuant to Sec 147c of the State School Aid Act (PA 94 of 1979), will be recognized as State appropriations revenue for the year ending June 30, 2027. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	Amount
2027	$ (332,491)
2028	(1,000,193)
2029	(727,813)
2030	(211,071)
Total	**$ (2,271,568)**

For the year ended June 30, 2025, the College recognized pension expense of $77,794. At June 30, 2025, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

2025	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	$ 283,728	$ 113,626	$ 170,102
Changes in assumptions	1,090,290	766,227	324,063
Net difference between projected and actual earnings on pension plan investments	-	1,995,795	(1,995,795)
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	817,245	(817,245)
	1,374,018	3,692,893	(2,318,875)
College contributions subsequent to the measurement date	1,669,274	-	1,669,274
Pension portion of Sec 147c state aid award subsequent to the measurement date	-	596,241	(596,241)
	1,669,274	596,241	1,073,033
Total	**$ 3,043,292**	**$ 4,289,134**	**$ (1,245,842)**

Notes to Financial Statements

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

At June 30, 2026 and 2025, the College reported an asset of $2,425,311 and $1,851,398, respectively, for its proportionate share of the MPSERS net OPEB asset. The net OPEB asset was measured as of September 30, 2025 and 2024, and the total OPEB liability used to calculate the net OPEB asset was determined by actuarial valuations rolled forward from September 30, 2024 and 2023. The College's proportion of the net OPEB asset was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2025, the College's proportion was 0.03990%, which was a decrease of 0.00311% points from its proportion measured as of September 30, 2024 of 0.04301%.

For the year ended June 30, 2026, the College recognized an OPEB benefit of $911,867. At June 30, 2026, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

2026	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred (Inflows) Outflows of Resources
Differences between expected and actual experience	$ -	$ 1,660,483	$ (1,660,483)
Changes in assumptions	323,684	25,723	297,961
Net difference between projected and actual earnings on OPEB plan investments	-	340,809	(340,809)
Changes in proportion and differences between employer contributions and proportionate share of contributions	496	128,199	(127,703)
	324,180	2,155,214	(1,831,034)
College contributions subsequent to the measurement date	76,498	-	76,498
Total	**$ 400,678**	**$ 2,155,214**	**$ (1,754,536)**

Notes to Financial Statements

The amount reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB asset in the year ending June 30, 2027. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30	Amount
2027	$ (521,589)
2028	(472,021)
2029	(429,327)
2030	(280,804)
2031	(97,655)
Thereafter	(29,638)
Total	**$ (1,831,034)**

For the year ended June 30, 2025, the College recognized an OPEB benefit of $845,537. At June 30, 2025, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

2025	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred (Inflows) Outflows of Resources
Differences between expected and actual experience	$ -	$ 1,961,917	$ (1,961,917)
Changes in assumptions	404,372	46,479	357,893
Net difference between projected and actual earnings on OPEB plan investments	-	350,491	(350,491)
Changes in proportion and differences between employer contributions and proportionate share of contributions	960	252,780	(251,820)
	405,332	2,611,667	(2,206,335)
College contributions subsequent to the measurement date	41,980	-	41,980
Total	**$ 447,312**	**$ 2,611,667**	**$ (2,164,355)**

Notes to Financial Statements

Actuarial Assumptions

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

The total pension and OPEB liabilities in the September 30, 2024 and 2023 actuarial valuations (for the fiscal years ended June 30, 2026 and 2025) were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age, normal
Wage inflation rate	2.75%
Investment rate of return:	
MIP and Basic plans (non-hybrid)	6.00%
Pension Plus plan (hybrid)	6.00%
Pension Plus 2 plan (hybrid)	6.00%
OPEB plans	6.00%
Projected salary increases	2.75% - 11.55%, including wage inflation at 2.75%
Cost of living adjustments	3% annual non-compounded for MIP members
Healthcare cost trend rate	Pre-65: 7.75% Year 1 graded to 3.5% Year 15 (7.25% Year 1 graded to 3.5% Year 15 in 2023) Post-65: 6.50% Year 1 graded to 3.5% Year 15
Mortality	Retirees: PubT-2010 Male and Female Retiree Mortality Tables scaled by 116% for males and 116% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010. Active: PubT-2010 Male and Female Employee Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.
Other OPEB assumptions:	
Opt-out assumptions	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt-out of the retiree health plan.
Survivor coverage	80% of male retirees and 67% of female retirees electing two-person coverage are assumed to have coverages continuing after the retiree's death.
Coverage election at retirement	Of those not opting out, 75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Notes to Financial Statements

Assumption changes as a result of an experience study for the period 2017 through 2022 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2023 valuation. The total pension and OPEB liabilities as of September 30, 2025, are based on the results of an actuarial valuation date of September 30, 2024, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for pension liabilities is 4.4524 years which is the average of the expected remaining service lives of all employees. The recognition period for OPEB liabilities is 6.4654 years which is the average of the expected remaining service lives of all employees. The recognition period for assets is 5 years.

Assumption changes as a result of an experience study for the period 2017 through 2022 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2023 valuation. The total pension and OPEB liabilities as of September 30, 2024, are based on the results of an actuarial valuation date of September 30, 2023, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for pension liabilities is 4.4612 years which is the average of the expected remaining service lives of all employees. The recognition period for OPEB liabilities is 6.2834 years which is the average of the expected remaining service lives of all employees. The recognition period for assets is 5 years.

Changes in assumptions - September 30, 2024 Valuation. Healthcare cost trend rates for pre-65 increased from 7.25% to 7.75%.

Changes in assumptions - September 30, 2023 Valuation. The method for amortizing UAAL transitioned from the level percent of payroll to the level dollar method. In addition, healthcare cost trend rates for pre-65 decreased from 7.50% to 7.25% and post-65 increased from 6.25% to 6.50%.

Long-term Expected Return on Pension and OPEB Plan Assets

The long-term expected rate of return on pension 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 pension/OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension and OPEB plans' target asset allocation as of September 30, 2025 and 2024, are summarized in the following tables:

Notes to Financial Statements

Pension

2025 Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	21.00%	5.48%	1.15%
Private equity pools	16.00%	8.78%	1.40%
International equity pools	14.00%	5.29%	0.74%
Fixed income pools	15.00%	2.36%	0.35%
Real estate and infrastructure pools	8.00%	6.61%	0.53%
Absolute return pools	13.00%	4.15%	0.54%
Real return/opportunistic pools	9.00%	6.61%	0.59%
Short-term investment pools	4.00%	1.23%	0.05%
	100.00%		5.35%
Inflation			2.40%
Risk adjustment			-1.75%
Investment rate of return			**6.00%**

OPEB

2025 Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	16.00%	5.48%	0.88%
Private equity pools	16.00%	8.78%	1.40%
International equity pools	11.00%	5.29%	0.58%
Fixed income pools	26.00%	2.36%	0.61%
Real estate and infrastructure pools	5.00%	6.61%	0.33%
Absolute return pools	15.00%	4.15%	0.62%
Real return/opportunistic pools	7.00%	6.61%	0.46%
Short-term investment pools	4.00%	1.23%	0.05%
	100.00%		4.93%
Inflation			2.40%
Risk adjustment			-1.33%
Investment rate of return			**6.00%**

Notes to Financial Statements

Pension

2024 Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	25.00%	5.02%	1.26%
Private equity pools	16.00%	8.53%	1.36%
International equity pools	15.00%	6.16%	0.92%
Fixed income pools	13.00%	2.08%	0.27%
Real estate and infrastructure pools	10.00%	6.73%	0.67%
Absolute return pools	9.00%	4.93%	0.44%
Real return/opportunistic pools	10.00%	6.54%	0.65%
Short-term investment pools	2.00%	1.33%	0.03%
	100.00%		5.60%
Inflation			2.30%
Risk adjustment			-1.90%
Investment rate of return			**6.00%**

OPEB

2024 Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	25.00%	5.02%	1.26%
Private equity pools	16.00%	8.53%	1.36%
International equity pools	15.00%	6.16%	0.92%
Fixed income pools	13.00%	1.88%	0.24%
Real estate and infrastructure pools	10.00%	6.73%	0.67%
Absolute return pools	9.00%	4.93%	0.44%
Real return/opportunistic pools	10.00%	6.54%	0.65%
Short-term investment pools	2.00%	1.33%	0.03%
	100.00%		5.57%
Inflation			2.30%
Risk adjustment			-1.87%
Investment rate of return			**6.00%**

Rate of Return

For the fiscal year ended September 30, 2025, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 9.81% and 9.24%, respectively. For the fiscal year ended September 30, 2024, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 15.47% and 15.45%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

For the fiscal years ended September 30, 2025 and 2024, a discount rate of 6.00% was used to measure the total pension and OPEB liabilities. This discount rate was based on the long-term expected rate of return on pension and OPEB plan investments of 6.00%. The projection of cash flows used to determine these discount rates assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension and OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension and OPEB liabilities.

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

The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 6.00%, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher as of June 30, 2026:

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
College's proportionate share of the net pension liability	$ 13,474,908	$ 8,538,934	$ 4,427,899

The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 6.00%, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher as of June 30, 2025:

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
College's proportionate share of the net pension liability	$ 15,331,275	$ 10,457,819	$ 6,399,729

Sensitivity of the College's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate

The following presents the College's proportionate share of the net OPEB asset calculated using the discount rate of 6.00%, as well as what the College's proportionate share of the net OPEB asset would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher as of June 30, 2026:

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
College's proportionate share of the net OPEB asset	$ (2,089,559)	$ (2,425,311)	$ (2,719,167)

The following presents the College's proportionate share of the net OPEB asset calculated using the discount rate of 6.00%, as well as what the College's proportionate share of the net OPEB asset would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher as of June 30, 2025:

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
College's proportionate share of the net OPEB asset	$ (1,430,776)	$ (1,851,398)	$ (2,215,071)

Sensitivity of the College's Proportionate Share of the Net OPEB Asset to Healthcare Cost Trend Rate

The following presents the College's proportionate share of the net OPEB asset calculated using the assumed trend rates, as well as what the College's proportionate share of the net OPEB asset would be if it were calculated using a trend rate that is 1 percentage point lower or 1 percentage higher as of June 30, 2026:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
College's proportionate share of the net OPEB asset	$ (2,716,485)	$ (2,425,311)	$ (2,119,587)

Notes to Financial Statements

The following presents the College's proportionate share of the net OPEB asset calculated using the assumed trend rates, as well as what the College's proportionate share of the net OPEB asset would be if it were calculated using a trend rate that is 1 percentage point lower or 1 percentage higher as of June 30, 2025:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
College's proportionate share of the net OPEB asset	$ (2,215,075)	$ (1,851,398)	$ (1,461,357)

Pension and OPEB Plans Fiduciary Net Position

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

Payable to the Pension Plan

At June 30, 2026, the College reported a payable of $168,202 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2026. At June 30, 2025, the College reported a payable of $177,900 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2025.

Payable to the OPEB Plan

At June 30, 2026, the College reported a payable of $4,358 for the outstanding amount of OPEB contributions to the Plan required for the year ended June 30, 2026. At June 30, 2025, the College reported a payable of $2,381 for the outstanding amount of OPEB contributions to the Plan required for the year ended June 30, 2025.

Defined Contribution Plan

Effective July 1, 1988, the College adopted a defined contribution retirement plan for qualified employees. Full-time faculty, administrators, and other exempt-status employees can elect to participate in the Bay de Noc Community College Optional Retirement Plan (the "Optional Plan"), a defined contribution plan administered by the College. New employees can elect to participate in either the Optional Plan or MPSERS. Employees electing the Optional Plan who are members of MPSERS retain a limited membership in MPSERS. As of June 30, 2026 and 2025, the Optional Plan had 153 and 154 participants with account balances, respectively, and 86 active participants at the end of each fiscal year.

The College is required to contribute 12 to 25.36 percent of participating employees' salaries to the Optional Plan. Plan contributions are placed in a segregated employee account that the employee may allocate to the various funding vehicles permitted by the Optional Plan. All contributions are fully vested when made. Total contributions for the years ended June 30, 2026 and 2025 were $795,620 and $719,061, respectively.

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

Longevity Benefit Payments

Full-time Faculty

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

Administrative Staff

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

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

The College records a liability for these benefits over the period earned by the employees based on the likelihood that a benefit will be paid out upon retirement or termination from the College. This plan is funded by the College on a pay-as-you-go basis. The College has elected to calculate the liability using a 5% discount rate applied to the benefit amount. The total liability for these benefits was approximately $530,000 and $552,000 at June 30, 2026 and 2025, respectively. The College recognized a benefit associated with these longevity incentives of approximately $22,000 for the year ended June 30, 2026. The College recognized an expense associated with these longevity incentives of approximately $10,000 for the year ended June 30, 2025.

Notes to Financial Statements

8. VOLUNTARY TERMINATION BENEFITS

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

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

1. Early retirement incentives, such as cash payments or contribution to retirement to MPSERS or TIAA-CREF, or the College's 403(b) plan (see Note 7)
2. Health care coverage when none would otherwise be provided (COBRA)
3. Payments due to early release from employment contracts

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

9. CONTINGENCIES

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

10. RISK MANAGEMENT

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

Notes to Financial Statements

11. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

The College is involved in 5 agreements that qualify as long-term subscription-based information technology arrangements (SBITAs). Below is a summary of the nature of these arrangements. These arrangements qualify as intangible, right-to-use subscription assets as the College has the control of the right to use another party's IT software and the noncancelable term of the arrangement surpasses one year. The present values are discounted using an incremental borrowing rate of 4.05%.

Subscription liability activity for the year ended June 30, 2026, was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Subscription liability	$ -	$ 3,503,207	$ (430,489)	$ 3,072,718	$ 584,858

The net present value of future minimum payments as of June 30, 2026, were as follows:

Year Ended June 30	Principal	Interest
2027	$ 584,858	$ 124,445
2028	635,513	100,758
2029	577,543	75,020
2030	611,575	51,630
2031	663,229	26,861
Total	**$ 3,072,718**	**$ 378,714**

12. RELATED PARTY TRANSACTIONS

Aside from those transactions described herein with the Foundation, the College has entered into no related party transactions during fiscal years 2026 and 2025.

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REQUIRED SUPPLEMENTARY INFORMATION
MPSERS COST-SHARING MULTIPLE EMPLOYER PLANS

BAY DE NOC COMMUNITY COLLEGE

Required Supplementary Information

MPSERS Cost-Sharing Multiple-Employer Plans

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

	Year Ended June 30									
	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
College's proportionate share of the net pension liability	$ 8,538,934	$ 10,457,819	$ 14,008,726	$ 16,592,561	$ 11,323,723	$ 17,889,586	$ 18,602,589	$ 17,153,428	$ 14,544,692	$ 14,566,191
College's proportion of the net pension liability	0.04262%	0.04272%	0.04328%	0.04412%	0.04783%	0.05208%	0.05617%	0.05706%	0.05613%	0.05838%
College's covered payroll	$ 4,648,793	$ 4,568,295	$ 4,421,650	$ 4,408,138	$ 4,122,796	$ 4,388,155	$ 4,759,426	$ 4,943,153	$ 4,755,418	$ 4,725,908
College's proportionate share of the net pension liability as a percentage of its covered payroll	183.68%	228.92%	316.82%	376.41%	274.66%	407.68%	390.86%	347.01%	305.86%	308.22%
Plan fiduciary net position as a percentage of the total pension liability	79.44%	74.44%	65.91%	60.77%	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%

See notes to required supplementary information.

BAY DE NOC COMMUNITY COLLEGE

Required Supplementary Information

MPSERS Cost-Sharing Multiple-Employer Plans

Schedule of the College's Pension Contributions

	Year Ended June 30									
	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Statutorily required contribution	$ 1,789,204	$ 1,730,244	$ 1,757,089	$ 2,039,868	$ 1,458,211	$ 1,448,806	$ 1,437,448	$ 1,499,514	$ 1,486,300	$ 1,313,933
Contributions in relation to the statutorily required contributions	(1,789,204)	(1,730,244)	(1,757,089)	(2,039,868)	(1,458,211)	(1,448,806)	(1,437,448)	(1,499,514)	(1,486,300)	(1,313,933)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
College's covered payroll	$ 4,693,955	$ 4,713,041	$ 4,532,279	$ 4,568,470	$ 4,183,202	$ 4,222,465	$ 4,452,819	$ 4,817,541	$ 5,108,698	$ 4,522,320
Contributions as a percentage of covered payroll	38.12%	36.71%	38.77%	44.65%	34.86%	34.31%	32.28%	31.13%	29.09%	29.05%

See notes to required supplementary information.

BAY DE NOC COMMUNITY COLLEGE

Required Supplementary Information

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

	Year Ended June 30								
	2026	2025	2024	2023	2022	2021	2020	2019	2018
College's proportionate share of the net OPEB (asset) liability	$ (2,425,311)	$ (1,851,398)	$ (248,911)	$ 951,741	$ 689,384	$ 2,637,854	$ 3,885,061	$ 4,588,711	$ 4,995,027
College's proportion of the net OPEB (asset) liability	0.03990%	0.04301%	0.04400%	0.04493%	0.04516%	0.04924%	0.05413%	0.05773%	0.05641%
College's covered payroll	$ 4,648,793	$ 4,568,295	$ 4,421,650	$ 4,408,138	$ 4,122,796	$ 4,388,155	$ 4,759,426	$ 4,943,153	$ 4,755,418
College's proportionate share of the net OPEB (asset) liability as a percentage of its covered payroll	-52.17%	-40.53%	-5.63%	21.59%	16.72%	60.11%	81.63%	92.83%	105.04%
Plan fiduciary net position as a percentage of the total OPEB (asset) liability	164.94%	143.08%	105.04%	83.09%	87.33%	59.44%	48.46%	42.95%	36.39%

See notes to required supplementary information.

BAY DE NOC COMMUNITY COLLEGE

Required Supplementary Information

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

	Year Ended June 30								
	2026	2025	2024	2023	2022	2021	2020	2019	2018
Statutorily required contribution	$ 81,955	$ 104,842	$ 353,979	$ 354,283	$ 326,785	$ 339,860	$ 352,249	$ 373,447	$ 367,053
Contributions in relation to the statutorily required contribution	(81,955)	(104,842)	(353,979)	(354,283)	(326,785)	(339,860)	(352,249)	(373,447)	(367,053)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
College's covered payroll	$ 4,693,955	$ 4,713,041	$ 4,532,279	$ 4,568,470	$ 4,183,202	$ 4,222,465	$ 4,452,819	$ 4,817,541	$ 5,108,698
Contributions as a percentage of covered payroll	1.75%	2.22%	7.81%	7.75%	7.81%	8.05%	7.91%	7.75%	7.18%

See notes to required supplementary information.

BAY DE NOC COMMUNITY COLLEGE

Notes to Required Supplementary Information

Pension Information

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

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

- 2026 - There have been no material changes in the valuation assumptions.
- 2025 - The method for amortizing UAAL transitioned from the level percent of payroll to the level dollar method.
- 2024 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2025 and 2026 employer contributions decreased from 2.00% to 1.50% and 1.50% to 0.75%, respectively. In addition, the PubT-2010 mortality tables were used in the September 2022 valuation compared to the RP-2014 mortality tables used in the September 2021 valuation.
- 2023 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2024 employer contributions decreased from 2.5% to 2.0%. Additionally, the discount rate used in the September 30, 2021 actuarial valuation decreased to 6.00% for the MIP and Basic plans, and 6.00% for the Pension Plus Plan.
- 2022 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2023 employer contributions decreased from 3.0% to 2.5%.
- 2021 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2022 employer contributions decreased from 3.5% to 3.0%.
- 2020 - The discount rate used in the September 30, 2018 actuarial valuation decreased to 6.80% for the MIP and Basic plans, 6.80% for the Pension Plus Plan, and 6.00% for the Pension Plus 2 Plan.
- 2019 - The discount rate used in the September 30, 2017 actuarial valuation decreased to 7.05% for the MIP and Basic plans, 7.00% for the Pension Plus plan, and 6.00% for the Pension Plus 2 Plan.
- 2018 - The discount rate used in the September 30, 2016 actuarial valuation decreased to 7.50% for the MIP and Basic plans and 7.00% for the Pension Plus Plan.

BAY DE NOC COMMUNITY COLLEGE

Notes to Required Supplementary Information

OPEB Information

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

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

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

- 2026 - Healthcare cost trend rates for pre-65 increased from 7.25% to 7.75%.
- 2025 - The method for amortizing UAAL transitioned from the level percent of payroll to the level dollar method. In addition, healthcare cost trend rates for pre-65 decreased from 7.50% to 7.25% and post-65 increased from 6.25% to 6.50%.
- 2024 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2025 and 2026 employer contributions decreased from 2.00% to 1.50% and 1.50% to 0.75%, respectively. In addition, the PubT-2010 mortality tables were used in the September 2022 valuation compared to the RP-2014 mortality tables used in the September 2021 valuation. Finally, healthcare cost trend rates for pre-65 decreased from 7.75% to 7.50% and post-65 increased from 5.25% to 6.25%.
- 2023 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2024 employer contributions decreased from 2.5% to 2.0%. Additionally, the discount rate used in the September 30, 2021 actuarial valuation decreased to 6.00%.
- 2022 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2023 employer contributions decreased from 3.0% to 2.5%. The healthcare cost trend rate used in the September 30, 2020 actuarial valuation increased to 7.75%.
- 2021 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2022 employer contributions decreased from 3.5% to 3.0%. The healthcare cost trend rate used in the September 30, 2019 actuarial valuation decreased to 7.0%.
- 2020 - The discount rate used in the September 30, 2018 actuarial valuation decreased to 6.95%.
- 2019 - The discount rate used in the September 30, 2017 actuarial valuation decreased to 7.15%.

OTHER INFORMATION

BAY DE NOC COMMUNITY COLLEGE

Combining Statement of Net Position (Deficit)

June 30, 2026 (Unaudited)
(with comparative totals for 2025)

	General Fund	Auxiliary Fund	Pension and OPEB Fund	Plant Fund	Agency Fund	Restricted Fund	Combined Total June 30, 2026	Combined Total June 30, 2025
Assets								
Current assets								
Cash and cash equivalents	$ 6,132,579	$ -	$ -	$ -	$ -	$ 5,253,968	$ 11,386,547	$ 10,587,988
Cash-restricted for capital improvements	-	-	-	203,454	-	-	203,454	604,220
Student receivables, net	22,930	-	-	-	-	-	22,930	35,118
State appropriations receivable	1,238,977	-	121,590	-	-	-	1,360,567	1,302,037
Grants receivable	-	-	-	-	-	468,047	468,047	611,871
Other receivables, net	454,857	-	-	-	-	-	454,857	245,005
Due from (to) component unit	18,811,072	2,075,125	-	(15,522,842)	102,179	(5,339,232)	126,302	81,024
Prepaids and other current assets	707,318	-	-	-	-	-	707,318	1,107,957
Total current assets	**27,367,733**	**2,075,125**	**121,590**	**(15,319,388)**	**102,179**	**382,783**	**14,730,022**	**14,575,220**
Noncurrent assets								
Cash-restricted for debt repayments	-	-	-	662,307	-	-	662,307	662,307
Net OPEB asset	-	-	2,425,311	-	-	-	2,425,311	1,851,398
Capital assets not being depreciated/amortized	-	-	-	1,592,410	-	-	1,592,410	1,719,419
Capital assets being depreciated/amortized, net	-	-	-	29,764,412	-	-	29,764,412	27,669,517
Total noncurrent assets	**-**	**-**	**2,425,311**	**32,019,129**	**-**	**-**	**34,444,440**	**31,902,641**
Total assets	**27,367,733**	**2,075,125**	**2,546,901**	**16,699,741**	**102,179**	**382,783**	**49,174,462**	**46,477,861**
Deferred outflows of resources								
Deferred pension amounts	-	-	2,219,672	-	-	-	2,219,672	3,043,292
Deferred OPEB amounts	-	-	400,678	-	-	-	400,678	447,312
Total deferred outflows of resources	**-**	**-**	**2,620,350**	**-**	**-**	**-**	**2,620,350**	**3,490,604**
Liabilities								
Current liabilities								
Accounts payable	96,331	-	121,590	-	-	-	217,921	491,274
Accrued payroll and related liabilities	1,095,407	-	-	-	-	-	1,095,407	1,062,861
Unearned revenue	213,589	-	-	-	-	6,612	220,201	233,364
Interest payable	-	-	-	60,586	-	-	60,586	33,953
Other current liabilities	272,197	16,000	-	-	102,179	-	390,376	350,056
Current portion of compensated absences	252,387	-	-	-	-	-	252,387	156,127
Current portion of subscription-based IT arrangement liabilities	-	-	-	584,858	-	-	584,858	-
Current portion of long-term debt	-	-	-	1,211,288	-	-	1,211,288	1,201,288
Total current liabilities	**1,929,911**	**16,000**	**121,590**	**1,856,732**	**102,179**	**6,612**	**4,033,024**	**3,528,923**
Noncurrent liabilities								
Compensated absences, net of current portion	715,453	-	-	-	-	-	715,453	620,003
Subscription-based IT arrangement liabilities, net of current portion	-	-	-	2,487,860	-	-	2,487,860	-
Long-term debt, net of current portion	-	-	-	7,732,924	-	-	7,732,924	8,944,212
Other accrued employee benefits payable	530,320	-	-	-	-	-	530,320	552,466
Net pension liability	-	-	8,538,934	-	-	-	8,538,934	10,457,819
Total noncurrent liabilities	**1,245,773**	**-**	**8,538,934**	**10,220,784**	**-**	**-**	**20,005,491**	**20,574,500**
Total liabilities	**3,175,684**	**16,000**	**8,660,524**	**12,077,516**	**102,179**	**6,612**	**24,038,515**	**24,103,423**
Deferred inflows of resources								
Deferred pension amounts	-	-	3,577,538	-	-	-	3,577,538	4,289,134
Deferred OPEB amounts	-	-	2,155,214	-	-	-	2,155,214	2,611,667
Total deferred inflows of resources	**-**	**-**	**5,732,752**	**-**	**-**	**-**	**5,732,752**	**6,900,801**
Net position								
Net investment in capital assets	-	-	-	19,528,569	-	-	19,528,569	19,665,986
Restricted for:								
Net OPEB asset	-	-	2,425,311	-	-	-	2,425,311	1,851,398
Scholarships and grants	-	-	-	-	-	376,171	376,171	376,171
Construction and debt service	-	-	-	662,307	-	-	662,307	662,307
Unrestricted (deficit)	24,192,049	2,059,125	(11,651,336)	(15,568,651)	-	-	(968,813)	(3,591,621)
Total net position	**$ 24,192,049**	**$ 2,059,125**	**$ (9,226,025)**	**$ 4,622,225**	**$ -**	**$ 376,171**	**$ 22,023,545**	**$ 18,964,241**

BAY DE NOC COMMUNITY COLLEGE

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

Year Ended June 30, 2026 (Unaudited)
(with comparative totals for 2025)

	General Fund	Auxiliary Fund	Pension and OPEB Fund	Plant Fund	Restricted Fund	Subtotal	Eliminations	Combined Total June 30, 2026	Combined Total June 30, 2025
Operating revenues									
Tuition and fees, net	$ 10,123,906	$ -	$ -	$ -	$ -	$ 10,123,906	$ (3,528,439)	$ 6,595,467	$ 6,565,469
Federal Pell grants	-	-	-	-	3,111,642	3,111,642	-	3,111,642	3,488,342
Federal grants and contracts	-	-	-	-	1,871,876	1,871,876	-	1,871,876	1,738,000
State and local grants and contracts	-	-	-	-	357,336	357,336	-	357,336	360,543
Private gifts, grants and contracts	10,354	-	-	255,267	-	265,621	-	265,621	145,712
Sales and service of auxiliary activities, net	48,240	466,677	-	-	-	514,917	(125,700)	389,217	357,551
Other operating revenues	544,823	-	-	-	1,088	545,911	-	545,911	490,339
Total operating revenues	**10,727,323**	**466,677**	**-**	**255,267**	**5,341,942**	**16,791,209**	**(3,654,139)**	**13,137,070**	**13,145,956**
Operating expenses									
Instruction	8,948,892	-	(2,392,479)	(171,973)	1,249,601	7,634,041	-	7,634,041	7,451,725
Public service	178,882	-	(29,405)	-	-	149,477	-	149,477	161,287
Instructional support	1,643,608	-	(87,175)	-	130,599	1,687,032	-	1,687,032	1,891,800
Student services	4,331,185	-	(188,188)	-	3,648,365	7,791,362	(3,654,139)	4,137,223	4,068,542
Institutional administration	3,965,105	-	(469,778)	2,500	350,053	3,847,880	-	3,847,880	3,151,446
Operations and maintenance of plant	2,073,951	271,938	(292,314)	-	-	2,053,575	-	2,053,575	2,033,719
Information technology	2,358,267	-	-	-	-	2,358,267	-	2,358,267	1,841,475
Depreciation and amortization	-	-	-	2,932,979	-	2,932,979	-	2,932,979	2,379,344
Total operating expenses	**23,499,890**	**271,938**	**(3,459,339)**	**2,763,506**	**5,378,618**	**28,454,613**	**(3,654,139)**	**24,800,474**	**22,979,338**
Operating (loss) income	**(12,772,567)**	**194,739**	**3,459,339**	**(2,508,239)**	**(36,676)**	**(11,663,404)**	**-**	**(11,663,404)**	**(9,833,382)**
Noncapital subsidies									
State appropriations	8,158,650	-	(668,746)	-	-	7,489,904	-	7,489,904	7,722,106
Property tax levy - operations	3,501,490	-	-	-	-	3,501,490	-	3,501,490	3,326,441
Property taxes from Dickinson County	1,358,711	-	-	-	-	1,358,711	-	1,358,711	1,309,905
Support from component unit	807,776	-	-	-	-	807,776	-	807,776	673,500
Total noncapital subsidies	**13,826,627**	**-**	**(668,746)**	**-**	**-**	**13,157,881**	**-**	**13,157,881**	**13,031,952**
Operating (loss) income and noncapital subsidies	**1,054,060**	**194,739**	**2,790,593**	**(2,508,239)**	**(36,676)**	**1,494,477**	**-**	**1,494,477**	**3,198,570**
Other nonoperating revenues (expenses)									
Interest income	403,938	-	-	42,691	-	446,629	-	446,629	438,545
Property tax levy - capital debt retirement	-	-	-	1,533,006	-	1,533,006	-	1,533,006	1,447,790
Interest on capital asset-related debt	-	-	-	(414,808)	-	(414,808)	-	(414,808)	(323,015)
Total other nonoperating revenues	**403,938**	**-**	**-**	**1,160,889**	**-**	**1,564,827**	**-**	**1,564,827**	**1,563,320**
Change in net position before transfers	1,457,998	194,739	2,790,593	(1,347,350)	(36,676)	3,059,304	-	3,059,304	4,761,890
Transfers (out) in	(36,676)	-	-	-	36,676	-	-	-	-
Change in net position	**1,421,322**	**194,739**	**2,790,593**	**(1,347,350)**	**-**	**3,059,304**	**-**	**3,059,304**	**4,761,890**
Net position (deficit), beginning of year, as previously reported,	22,770,727	1,864,386	(12,016,618)	5,969,575	376,171	18,964,241	-	18,964,241	14,600,810
GASB 101 restatement	-	-	-	-	-	-	-	-	(398,459)
Net position (deficit), beginning of year, as restated	22,770,727	1,864,386	(12,016,618)	5,969,575	376,171	18,964,241	-	18,964,241	14,202,351
Net position (deficit), end of year	**$ 24,192,049**	**$ 2,059,125**	**$ (9,226,025)**	**$ 4,622,225**	**$ 376,171**	**$ 22,023,545**	**$ -**	**$ 22,023,545**	**$ 18,964,241**

BAY DE NOC COMMUNITY COLLEGE

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

(Unaudited)

	Year Ended June 30	
	2026	2025
Operating revenues		
Tuition and fees	$ 2,086,913	$ 2,484,968
Federal grants and contracts	12,919	12,449
Non-credit and contracts	47,078	77,905
State appropriations	30,829	21,745
Scholarship allowance	(10,710)	(21,714)
Net tuition and fees	2,167,029	2,575,353
Other operating revenue	8,126	8,186
Total operating revenues	**2,175,155**	**2,583,539**
Operating expenses		
Salaries and wages	1,536,066	1,638,493
Employee benefits	676,742	713,870
Advertising and professional services	267,611	191,332
Supplies and materials	64,968	82,601
Rent, utilities and insurance	216,858	191,861
Travel, professional development, and other operating expenses	91,446	61,391
Capital under $5,000 and grant capital	70,305	67,693
Depreciation	425,546	412,256
Total operating expenses	**3,349,542**	**3,359,497**
Operating loss	**(1,174,387)**	**(775,958)**
Nonoperating (expenses) revenues		
General administration (5% of total expenses)	(166,831)	(167,975)
Property taxes from Dickinson County	1,358,711	1,309,905
Interest on capital asset-related debt	(25,402)	(39,123)
Net nonoperating revenues	**1,166,478**	**1,102,807**
Change in net position	**(7,909)**	**326,849**
Net position, beginning of year	3,252,863	2,926,014
Net position, end of year	**$ 3,244,954**	**$ 3,252,863**