Audited Financial Statements
and Other Supplementary Information

MONROE COUNTY
COMMUNITY COLLEGE

*Years Ended June 30, 2023 and 2022*
*with Report of Independent Auditors*

AHP
CPAs & ADVISORS
ANDREWS HOOPER PAVLIK PLC

Monroe County Community College

Audited Financial Statements
and Other Supplementary Information

Years Ended June 30, 2023 and 2022

## Contents

ANDREWS HOOPER PAVLIK PLC
43252 WOODWARD AVENUE | SUITE 150 | BLOOMFIELD HILLS, MI 48302

# Report of Independent Auditors

To the Board of Trustees
Monroe County Community College

## Report on the Audit of the Financial Statements

### *Opinions*

We have audited the accompanying financial statements of the business type activities and the discretely presented component unit of Monroe County Community College (Community College District of Monroe County, Michigan) (College) as of and for the year ended June 30, 2023, 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 audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the discretely presented component unit of Monroe County Community College, as of June 30, 2023, and the changes in its financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the discretely presented component unit, The Foundation at Monroe County Community College, which represents 10 percent, 20 percent, and 4 percent, respectively, of the assets, net position, and revenues of the College as of June 30, 2023. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for The Foundation at Monroe County Community College, is based solely on the report of the other auditors.

### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Monroe County Community College and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Adjustments to Prior Period Financial Statements*

The financial statements of the College, and its discretely presented component unit, The Foundation at Monroe Community College (Foundation), as of June 30, 2022, were audited by other auditors whose opinion dated November 23, 2022, on those statements was unmodified. As more fully described in Note 1, the College has restated its 2022 financial statements during the current year to properly account for state appropriation pension funds received after the pension plan valuation date, in accordance with accounting principles generally accepted in the United States of America. The other auditors reported on the 2022 financial statements before the restatement.

As part of our audit of the 2023 financial statements, we also audited adjustments described in Note 1 that were applied to restate the 2022 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2022 financial statements of the College other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2022 financial statements as a whole.

### *Responsibilities of Management for the Financial Statements*

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

### *Auditor's 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 auditor's 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 generally accepted auditing standards 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 generally accepted auditing standards and *Government Auditing Standards,* we:

- Exercise professional judgement 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 Monroe County Community 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 Monroe County Community 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 required pension and other postemployment benefit (OPEB) schedules, 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 audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Monroe County Community College's basic financial statements. The combining statement of net position and combining statement of revenues, expenses, transfers, and changes in net position are presented for purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auding procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statement of net position and combining statement of revenues, expenses, transfers, and changes in net position are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards,* we have also issued our report dated November 27, 2023 on our consideration of Monroe County Community College's internal control over financial reporting and 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 Monroe County Community 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 Monroe County Community College's internal control over financial reporting and compliance.

Andrews Hooper Pavlik PLC

Bloomfield Hills, Michigan
November 27, 2023

# Management’s Discussion and Analysis

Monroe County Community College

Management's Discussion and Analysis

June 30, 2023

## Introduction

The following is management's discussion and analysis (MD&A) of Monroe County Community College's (College) financial position and results of operations. This discussion and analysis has been prepared by management and includes the College's financial statements for the three most recent fiscal years (July 1 – June 30). It should be read in conjunction with the financial statements and the notes thereto, which follow this section. These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) pronouncements and the Manual for Uniform Financial Reporting for Michigan Public Community Colleges.

## Using the Financial Report

The annual financial report includes the report of independent auditors, this MD&A, the basic financial statements, which consist of the Statements of Net Position, the Statements of Revenues, Expenses, and Changes in Net Position, the Statements of Cash Flows, the Foundation at Monroe County Community College Statements of Net Position and Statements of Activities, and the Notes to the Financial Statements. Following the basic financial statements are four required supplementary information schedules and two other supplementary information schedules.

Each of the College's financial statements tell a different story: the Statements of Net Position presents the assets, liabilities, and net position of the College using the accrual basis of accounting as of the end of the fiscal year; the Statements of Revenues, Expenses, and Changes in Net Position reflects revenues earned and expenses incurred during the fiscal year; and the Statements of Cash Flows provides information on the cash inflows and outflows for the institution by major category during the fiscal year.

In accordance with GASB Statement No. 61, *The Financial Reporting: Omnibus*, The Foundation at Monroe County Community College (Foundation), is reported as a component unit of the College. The Foundation's Statements of Financial Position and Statements of Activities have been included on separate pages. Complete financial statements for the Foundation can be obtained from the Administration Office at 1555 South Raisinville Road, Monroe, MI 48161.

## Prior Year Restatement

The College has restated the June 30, 2022 financial statements after becoming aware that they had overstated revenue and understated deferred inflow of resources related to the state appropriation that was received after the pension measurement date. The June 30, 2022 net position was decreased by $1.7 million as a result of this restatement. More information can be found in Note 1 of the financial statements.

**The Statement of Net Position**

The Statement of Net Position includes all assets and liabilities of the College. Assets and liabilities are generally measured using current values, except capital assets, which are stated at historical cost less allowance for depreciation.

The following is a comparative analysis of key components of the Statement of Net Position as of June 30 (rounded in $000's):

| | 2023 | 2022 | 2021 |
|---|---|---|---|
| **Assets** | | | |
| Current assets | **$ 32,368** | $ 26,989 | $ 28,466 |
| Endowed assets | **190** | 190 | 189 |
| Capital assets, net of depreciation and amortization | **72,194** | 71,058 | 63,770 |
| Total assets | **104,752** | 98,237 | 92,425 |
| Deferred outflows of resources – pension | **11,812** | 5,470 | 8,581 |
| Deferred outflows of resources – OPEB | **2,886** | 2,128 | 2,833 |
| **Liabilities** | | | |
| Current liabilities | **5,021** | 5,139 | 4,804 |
| Debt obligations | **8,813** | 9,907 | 10,963 |
| Lease commitments | **45** | 75 | 148 |
| Net pension liability | **40,010** | 27,784 | 41,581 |
| Net OPEB liability | **2,222** | 1,723 | 6,305 |
| Total liabilities | **56,111** | 44,628 | 63,801 |
| Deferred inflows of resources – pension | **6,478** | 12,733 | 3,577 |
| Deferred inflows of resources – OPEB | **5,538** | 7,355 | 5,554 |
| **Net position** | | | |
| Invested in capital assets, net of related debt | **62,212** | 59,947 | 51,569 |
| Restricted – expendable | **75** | 89 | 109 |
| Restricted – nonexpendable | **178** | 178 | 178 |
| Unrestricted deficit | **(11,142)** | (19,095) | (20,949) |
| Total net position | **$ 51,323** | $ 41,119 | $ 30,907 |

**The Statement of Net Position (continued)**

The College's financial position remains strong as of June 30, 2023 with assets totaling $104.8 million and current liabilities of $5.0 million. Total net position increased from $41.1 million to $51.3 million, primarily due to increases in cash and a reduction in the overall pension and other postemployment benefit (OPEB) liability and related accounts.

Current assets increased $5.4 million while current liabilities remained fairly consistent. The amount of working capital designated to cover operating expenses increased from $14.0 million in 2022 to $17.4 million in 2023.

The College adheres to GASB Statement No. 68, *Accounting for Pensions*, which requires governments providing defined benefit pensions through a cost-sharing plan to recognize their unfunded pension benefit obligation as a liability to more comprehensively and comparably measure the annual costs of pension benefits. In accordance with the statement, the College has reported, under net position unrestricted deficit, $34.7 million, which is the total of the net pension liability and related deferred inflows and outflows of resources as of June 30, 2023.

The College also adheres to GASB Statement No. 75, *Accounting for Postemployment Benefits Other than Pensions,* which requires governments providing other post-employment benefits, such as healthcare, through a cost-sharing plan to recognize their unfunded OPEB obligation as a liability to more comprehensively and comparably measure the annual cost of OPEB. In accordance with the statement, the College has reported, under net position unrestricted deficit, $4.9 million, which is the total of the net OPEB liability and related deferred inflows and outflows of resources as of June 30, 2023.

**The Statement of Revenues, Expenses, and Changes in Net Position**

The Statement of Revenues, Expenses, and Changes in Net Position present the operating revenue and expenses of the College, as well as the non-operating revenues and expenses. Operating revenues primarily include net student tuition and fees, grants and contracts, and auxiliary services. Non-operating revenues include state appropriations, property taxes, Federal Pell grant and Higher Education Emergency Relief Funding (HEERF).

Because the components that create the non-operating revenues are usually greater than the components of the operating revenues, the College's financial statements reflect an annual operating loss.

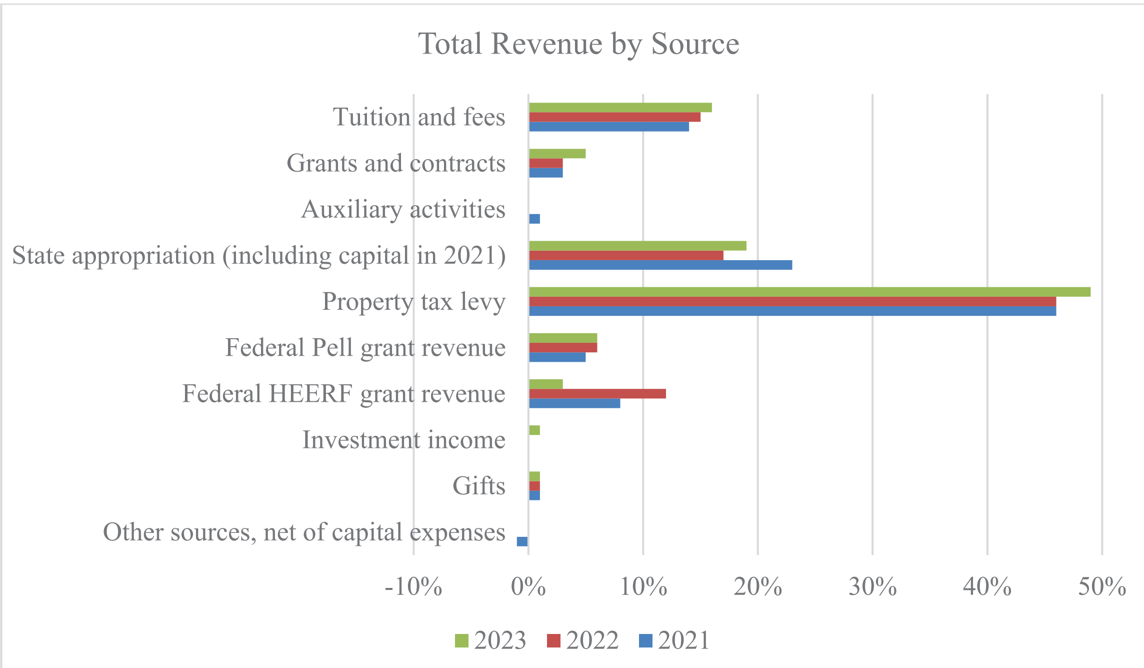
**The Statement of Revenues, Expenses, and Changes in Net Position (continued)**

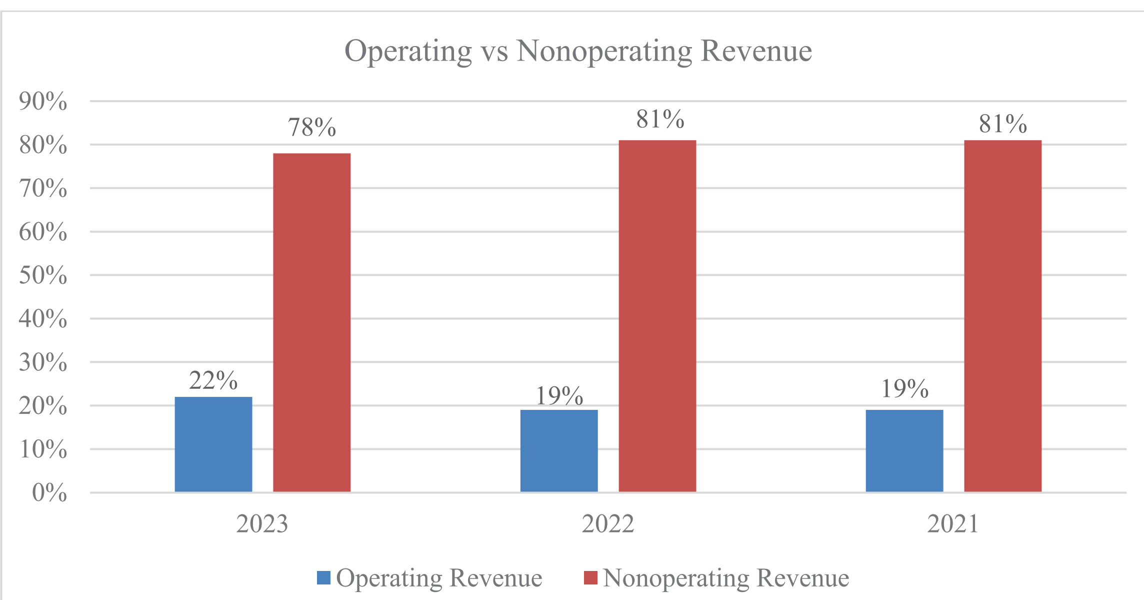
The following is a comparative analysis of key components of the Statement of Revenues, Expenses, and Changes in Net Position as of June 30 (rounded in $000's):

| | 2023 | 2022 | 2021 |
|---|---|---|---|
| **Operating revenue** | | | |
| Tuition and fees, net of allowances | **$ 6,493** | $ 6,277 | $ 5,938 |
| Grants and contracts | **2,170** | 1,365 | 1,131 |
| Auxiliary activities, net of allowances | **(11)** | (21) | 652 |
| Other sources | **439** | 352 | 146 |
| Total operating revenue | **9,091** | 7,973 | 7,867 |
| Operating expense | **31,346** | 32,851 | 32,731 |
| Operating loss | **(22,255)** | (24,878) | (24,864) |
| **Nonoperating revenue (expense)** | | | |
| State appropriations | **7,949** | 7,501 | 7,448 |
| Property tax levy | **20,473** | 19,779 | 19,243 |
| Federal Pell grant revenue | **2,436** | 2,402 | 2,260 |
| Federal HEERF grant revenue | **1,094** | 5,310 | 3,274 |
| Investment income | **384** | 6 | 42 |
| Gifts | **502** | 507 | 505 |
| Interest on capital assets – related debt | **(374)** | (413) | (443) |
| Loss on disposal of assets | **(5)** | (2) | (99) |
| Total nonoperating revenue (expense) | **32,459** | 35,090 | 32,230 |
| State capital appropriations | **-** | - | 2,138 |
| Change in net position | **10,204** | 10,212 | 9,504 |
| Net position at beginning of year - restated | **41,119** | 30,907 | 21,403 |
| Net position at end of year | **$ 51,323** | $ 41,119 | $ 30,907 |

**Revenues by Source**

The following is an illustration of the percentage of total revenue ($41.6 million combined operating and non-operating) by source for the year ended June 30, along with a comparison of operating and non-operating revenue:



**Operating Revenues**

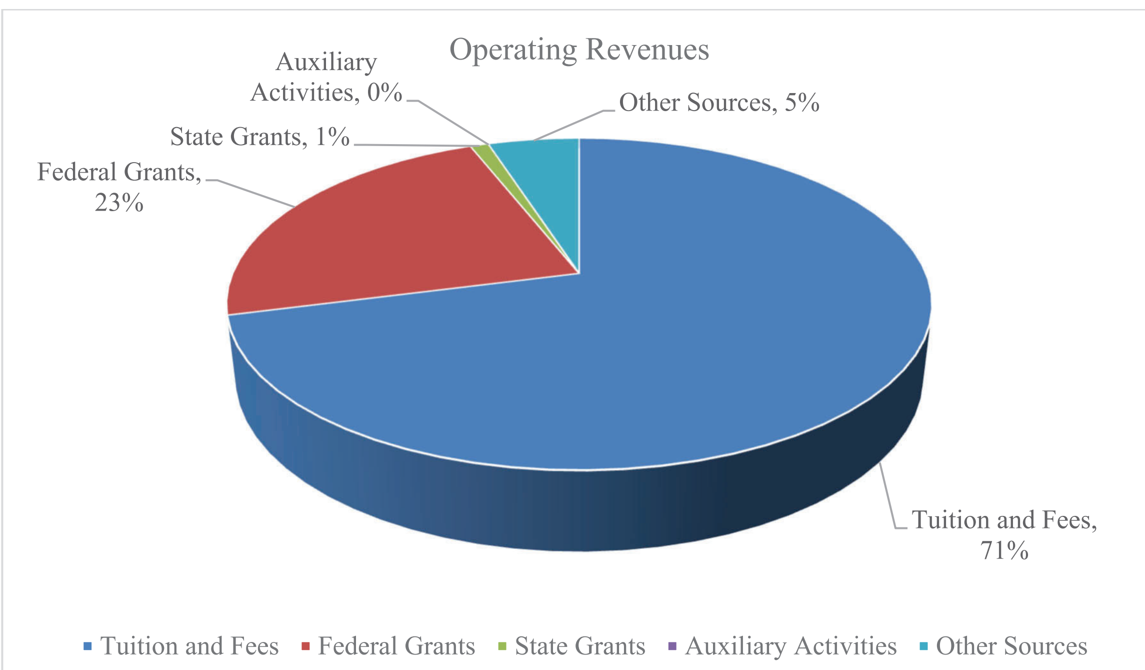
Operating revenues include charges for all exchange transactions such as tuition and fees and the sale of books and supplies. An exchange transaction occurs when each party receives and gives up essentially equal values. In addition, certain federal, state, and private grants are considered operating revenue if they are not for capital purposes and are considered a contract for services.

Operating revenue changes were the result of the following for the year ended June 30, 2023:

- Student tuition and fee revenue increased by 3% or $.2 million in comparison to the prior year.

- Grants and contracts revenue increased by 59% or $.8 million in comparison to the prior year.

The following is a graphic illustration of operating revenues by source for the year ended June 30, 2023:



**Operating Expenses**

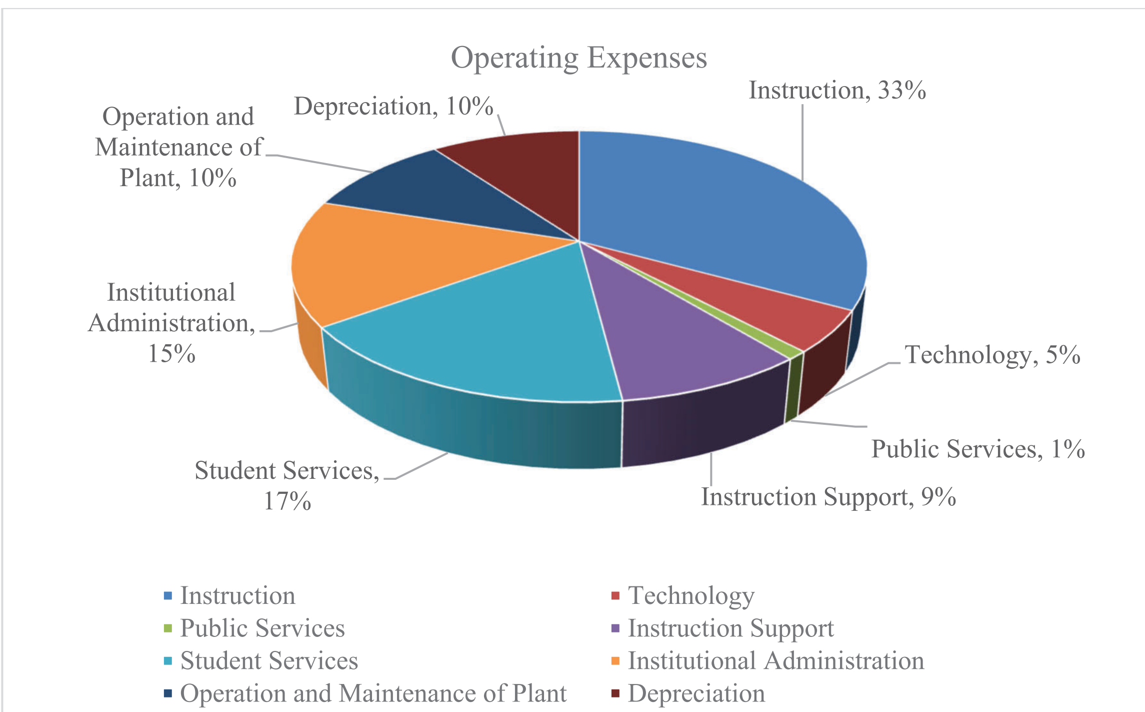
Operating expenses include all expenses necessary to provide services and conduct the programs of the College.

Operating expense changes were the result of the following for the year ended June 30, 2023:

- Operating expenses decreased 5% or $1.5 million from the year ended June 30, 2022. Operating expenses totaled $31.3 million for the year ended June 30, 2023 compared to $32.8 million for the year ended June 30, 2022.

- Student services decreased 23% or $1.6 million as a result of a reduction in HEERF grant funds available to students.

The following is a graphic illustration of operating expenses by source for the year ended June 30, 2023:



**Nonoperating Revenues**

Nonoperating revenues represent all revenue sources that are primarily non-exchange in nature. They consist primarily of state appropriations, property tax revenue, Pell grant revenue, HEERF grant revenue, and investment income.

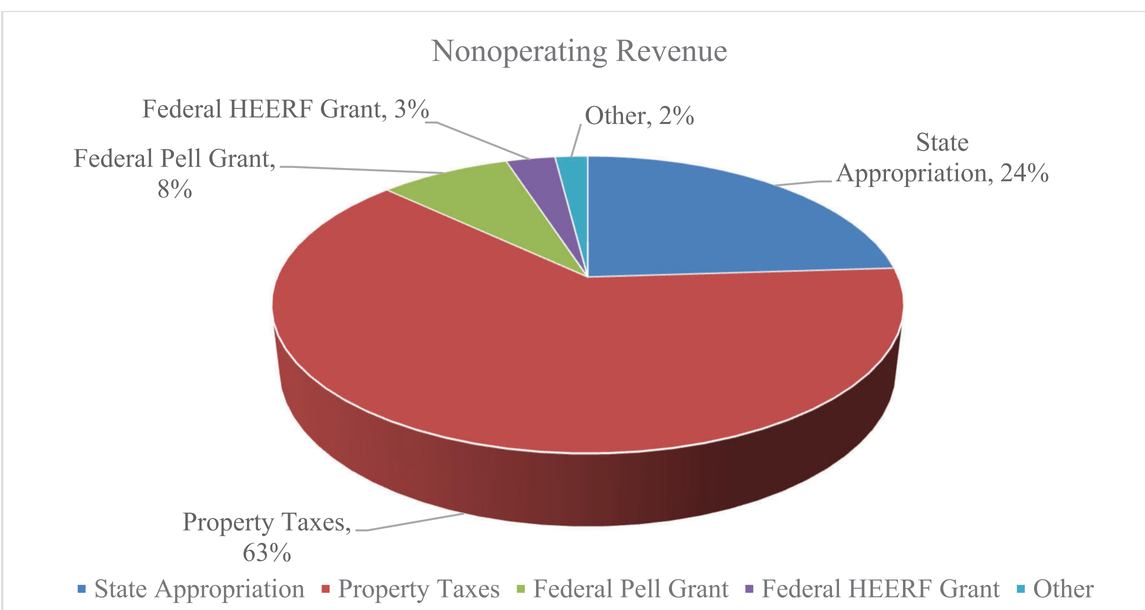
Non-operating revenue changes were the result of the following factors for the year ended June 30, 2023:

- State appropriations increased 6% or $.4 million from the prior year. The appropriations include $1.7 million for the Michigan Public Schools Employee Retirement System (MPSERS) Unfunded Actuarial Accrued Liability due to PA 300 of 2012, which placed a cap on the amount the college would pay for the unfunded liability obligations to 20.96%. The $1.7 million amount is paid back to the state to cover retirement costs.

- Property taxes increased 4% or $.7 million from the prior year due to increased property values.

- Federal HEERF grant revenue continued to be utilized to offset additional costs from the COVID-19 pandemic but as the program comes to a close, the revenue decreased 79% or $4.2 million from the prior year.

The following is a graphic illustration of nonoperating revenues by source for the year ended June 30, 2023:



## Statement of Cash Flows

The primary purpose of the Statement of Cash Flows is to provide relevant information about the cash receipts and cash payments for the College during a specific period. The Statement of Cash Flows eliminates all payables and receivables from the previous financial statements to help users assess:

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

The following is a comparative analysis of key components of the Statement of Cash Flows as of June 30 (rounded in $000's):

| | 2023 | 2022 | 2021 |
|---|---|---|---|
| **Net cash provided by (used in):** | | | |
| Operating activities | **$ (20,785)** | $ (24,166) | $ (23,225) |
| Noncapital financing activities | **31,715** | 37,254 | 30,775 |
| Capital and related financing activities | **(6,382)** | (13,642) | (6,900) |
| Investing activities | **379** | 5 | (227) |
| Net increase (decrease) in cash and cash equivalents | **$ 4,927** | $ (549) | $ 423 |

Items accounting for the majority of the changes in cash and cash equivalents are as follows:

- The College had a net increase in cash and cash equivalents of $4.9 million for the year ended June 30, 2023 compared to the June 30, 2022 decrease of $.5 million.
- Cash provided by noncapital financing activities decreased $5.5 million compared to 2022 and is a result of the Federal HEERF grant revenue decreasing $4.2 million.
- Cash used for capital and related financing activities decreased $7.3 million compared to 2022. The 2023 amount is more inline with previous historical data. The larger balance in 2022 was due to various ongoing maintenance and improvement projects that were subsequently completed. These projects included: Founders Hall (formerly East and West Technology), Campbell Learning Resources Center building, LS classroom and lecture hall, air quality projects, campus single-user restrooms, phone and security upgrades, and more.

**Capital Assets**

The following is a comparative analysis of key components of the College’s investment in capital assets as of June 30 (rounded in $000’s):

| | 2023 | 2022 | 2021 |
|---|---|---|---|
| Land | **$ 1,518** | $ 1,518 | $ 1,368 |
| Building and site improvement | **106,640** | 94,336 | 90,463 |
| Construction in progress | **600** | 9,093 | 5,560 |
| Equipment | **10,400** | 10,169 | 8,407 |
| Intangible right-to-use assets | **219** | 280 | 280 |
| Less: accumulated depreciation and amortization | **(47,183)** | (44,338) | (42,308) |
| Total capital assets | **$ 72,194** | $ 71,058 | $ 63,770 |

The College has $119.4 million invested in capital assets, net of accumulated deprecation of $47.2 million.

**Debt**

During the year ended June 30, 2016, the College borrowed funds for an HVAC project which resulted in debt of $16.2 million. Payments on the loan will occur on a semi-annual basis with the final payment occurring in the year ending June 30, 2032. The outstanding balance as of June 30, 2023 is $9.9 million.

The College’s need to borrow funds for short-term cash flow needs is due to the timing of cash receipts. The months of November and December are historically the months with the lowest cash balances. The State of Michigan spreads appropriation payments over 11 months so the College does not receive a payment in September. Property taxes, which were 63% of nonoperating revenue this year, are levied in December but the majority of payments to the College are received during the months of January through March.

In previous years, the College would issue a Tax Anticipation Note between $1,000,000 and $6,000,000 in order to cover short-term cash flow needs through November, December, and January. The tax anticipation note would require an allocation of each property tax receipt to be set aside for debt retirement. The College would settle the note sometime in March. The cost to borrow was a minimal amount usually less than $25,000. The College did not have a need to issue a Tax Anticipation Note for the year ended June 30, 2023.

## Economic Factors That Will Affect the Future

DTE Energy and the City of Monroe have settled on a step-down reduction of the taxable value of the Monroe Power Plant. The terms of the Consent Agreement reduce the taxable value of the plant over a seven-year period resulting in a total taxable value reduction of 28.33% between 2018 and 2025. The agreement results in general fund revenue losses each year as the taxable value of the plant is as follows:

| | |
|---|---|
| 2018 = 503,876,075 | 2022 = 421,138,412 |
| 2019 = 482,100,000 | 2023 = 385,138,405 |
| 2020 = 461,121,331 | 2024 = 361,138,399 |
| 2021 = 433,138,415 | 2025 = 361,138,399 |

DTE Energy has requested a review of the taxable value of the Fermi Nuclear Power Plant. If the taxable value is adjusted, it could result in a substantial loss of property tax revenue for the College.

Taxable values for property in Southeast Michigan have increased in the last few years. It is anticipated that taxable values will increase slightly next fiscal year as well. The College budgeted a 2.00% increase in property taxes for the 2023-2024 fiscal year and anticipates increasing reserves to help offset future adjustments to DTE Energy's taxable value of its Monroe Power Plant mentioned above.

The College received HEERF funding through the Coronavirus Aid Relief, and Economic Securities (CARES) Act, Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA), and American Rescue Plan Act (ARPA) in the form of three grants: Student Funding, Institutional Funding, and Strengthening Institutions Funding. These grants provide some relief to those affected by the pandemic but come with strict spending and reporting guidelines. The College was awarded $9,415,550 over the past three years and does not expect any further HEERF funding in the future.

The College completed a major geothermal heating, ventilating, and air conditioning (HVAC) project, which will provide savings upwards of $200,000 per year in energy costs. The savings will be used towards the annual $1,436,119 loan payments through 2031.

The College faced a decline in enrollment for the 2022-2023 fiscal year. To change this direction, the College has expanded recruitment efforts, accordingly. This includes a more focused approach, greater communication and response, and employing technology more strategically. Given this, the College planned and budgeted for enrollment to increase by 2.00% for 2023-2024. The Board of Trustees approved to increase tuition rates by 4.00% for the 2023-2024 year. The Board has the authority to increase tuition rates to offset rising costs but are also mindful of the impact that tuition increases have on students. The Board will continue to monitor costs, enrollment trends, and tuition rates to strike a balance. Moreover, the College has been successful obtaining grants that help assist student success, augment revenues, and manage costs, as well.

**Economic Factors That Will Affect the Future (continued)**

The College just completed the seventh year of its maintenance and improvement millage. The College will continue the multitude of maintenance and improvement projects with the zero-increase five-year millage renewal. Some of the completed projects for this year include: wireless network infrastructure, campus wayfinding signage, DTE lighting project, and continuation of the parking lot upgrades. Numerous other projects are in progress to be completed next year.

The renovation of the Campbell Learning Resources Building is complete with just a few small, anticipated expenses in fiscal year 2024. The total estimated cost of the renovation was $11,600,000. Property tax revenue generated from the maintenance and improvement millage funded the project. Total costs of $10,947,863 have been expended through June 30, 2023.

**Contacting the College's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the College's finances and to demonstrate the College's accountability for the resources it receives. If you have questions about this report or need additional information please contact the Office of the Vice President of Administration, Monroe County Community College, 1555 South Raisinville Rd., Monroe, Michigan 48161.

# Basic Financial Statements

# Monroe County Community College

## Statements of Net Position

| | June 30 2023 | June 30 2022 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents - Note 2 | **$ 27,320,932** | $ 22,393,749 |
| Short-term investments - Note 2 | **250,677** | 250,375 |
| Property taxes receivable, net of allowance of $25,540 ($21,744 in 2022) | **95,647** | 42,276 |
| State appropriation receivable | **1,275,981** | 1,236,888 |
| Interest receivable | **4,474** | 263 |
| Accounts receivable, net of allowance $381,411 ($410,888 in 2022) | **2,857,558** | 2,101,558 |
| Inventories | **54,949** | 49,558 |
| Prepaid expenses and other assets | **508,143** | 914,627 |
| Total current assets | **32,368,361** | 26,989,294 |
| Noncurrent assets: | | |
| Restricted investments - Note 2 | **189,834** | 189,447 |
| Property and equipment (net of accumulated depreciation and amortization) - Note 4 | **72,194,344** | 71,058,196 |
| Total noncurrent assets | **72,384,178** | 71,247,643 |
| Total assets | **104,752,539** | 98,236,937 |
| **Deferred outflows of resources** | | |
| Deferred pension amounts - Note 6 | **11,812,017** | 5,470,343 |
| Deferred OPEB amounts - Note 7 | **2,886,305** | 2,128,264 |
| Total deferred outflows of resources | **14,698,322** | 7,598,607 |
| **Liabilities** | | |
| Current liabilities: | | |
| Accounts payable | **670,131** | 949,890 |
| Accrued payroll and fringes - Note 5 | **2,013,263** | 2,571,620 |
| Deposits | **139,425** | 99,652 |
| Unearned revenue - Note 1 | **1,073,750** | 388,551 |
| Current portion of debt obligations - Note 10 | **1,093,899** | 1,056,098 |
| Current portion of lease commitments - Note 11 | **30,084** | 73,015 |
| Total current liabilities | **5,020,552** | 5,138,826 |
| Noncurrent liabilities: | | |
| Debt obligations, net of current portion - Note 10 | **8,812,936** | 9,906,835 |
| Lease commitments, net of current portion - Note 11 | **45,324** | 75,408 |
| Net pension liability - Note 6 | **40,009,855** | 27,783,909 |
| Net OPEB liability - Note 7 | **2,222,218** | 1,723,291 |
| Total noncurrent liabilities | **51,090,333** | 39,489,443 |
| Total liabilities | **56,110,885** | 44,628,269 |
| **Deferred inflows of resources** | | |
| Deferred pension amounts - Note 6 | **6,478,428** | 12,733,267 |
| Deferred OPEB amounts - Note 7 | **5,538,424** | 7,355,105 |
| Total deferred inflows of resource | **12,016,852** | 20,088,372 |
| **Net position** | | |
| Investment in capital assets, net of related debt | **62,212,101** | 59,946,840 |
| Restricted for: | | |
| Nonexpendable endowments | **177,539** | 177,539 |
| Expendable: | | |
| Endowments, scholarships, and grants | **3,474** | 3,475 |
| Other | **72,196** | 86,113 |
| Unrestricted deficit - Note 1 | **(11,142,186)** | (19,095,064) |
| Total net position | **$ 51,323,124** | $ 41,118,903 |

*See accompanying notes.*

## Monroe County Community College

## Statements of Revenues Expenses, and Changes in Net Position

| | Year Ended June 30 2023 | 2022 |
|---|---|---|
| **Operating revenue** | | |
| Tuition and fees, net of scholarship allowance of $1,847,917 ($2,270,788 in 2022) | **$ 6,493,392** | $ 6,277,162 |
| Federal grants | **2,044,401** | 1,225,696 |
| State grants | **125,222** | 139,004 |
| Auxiliary activities, net of scholarship allowance of $251,422 ($258,680 in 2022) | **(11,279)** | (20,660) |
| Other sources | **439,203** | 352,209 |
| Total operating revenue | **9,090,939** | 7,973,411 |
| **Operating expense** | | |
| Instruction | **10,265,435** | 9,426,743 |
| Information technology | **1,691,835** | 1,523,813 |
| Public services | **293,075** | 213,587 |
| Instructional support | **2,964,076** | 2,950,440 |
| Student services | **5,397,616** | 7,024,087 |
| Institutional administration | **4,673,056** | 5,798,952 |
| Operation and maintenance of plant | **2,994,603** | 3,093,327 |
| Depreciation and amortization | **3,066,689** | 2,820,157 |
| Total operating expense | **31,346,385** | 32,851,106 |
| Operating loss | **(22,255,446)** | (24,877,695) |
| **Nonoperating revenue (expense)** | | |
| State appropriations | **7,948,713** | 7,501,267 |
| Property tax levy | **20,473,158** | 19,779,241 |
| Federal Pell grant revenue | **2,436,027** | 2,402,151 |
| Federal HEERF grant revenue | **1,094,563** | 5,310,112 |
| Investment income | **383,580** | 5,691 |
| Gifts | **502,431** | 506,915 |
| Interest on capital assets - related debt | **(373,889)** | (412,803) |
| Loss on disposal of assets | **(4,916)** | (2,652) |
| Net nonoperating revenue (expense) | **32,459,667** | 35,089,922 |
| Change in net position | **10,204,221** | 10,212,227 |
| Net position at beginning of year - restated | **41,118,903** | 30,906,676 |
| Net position at end of year | **$ 51,323,124** | $ 41,118,903 |

*See accompanying notes.*

## Monroe County Community College

## Statements of Cash Flows

| | Year Ended June 30 | |
|---|---|---|
| | **2023** | **2022** |
| **Cash flows from operating activities** | | |
| Tuition and fees | **$ 6,283,177** | $ 7,278,640 |
| Grants and contracts | **3,570,906** | 980,034 |
| Payments to suppliers | **(15,227,440)** | (19,659,975) |
| Payments to employees | **(15,236,223)** | (14,543,705) |
| Collection of loans from students | **-** | 156 |
| Auxiliary enterprise charges | **(8,304)** | 152,518 |
| Other | **(167,268)** | 1,625,757 |
| Net cash used in operating activities | **(20,785,152)** | (24,166,575) |
| | | |
| **Cash flows from noncapital financing activities** | | |
| State appropriations | **7,909,620** | 7,568,025 |
| Property tax levy | **20,419,787** | 19,775,396 |
| Federal Pell grant revenue | **2,401,000** | 2,402,151 |
| Federal HEERF grant revenue | **561,585** | 6,985,896 |
| Federal direct lending receipts | **2,921,363** | 2,519,890 |
| Federal direct lending payments | **(3,000,511)** | (2,519,890) |
| Gifts and contributions for other than capital purposes | **502,431** | 522,576 |
| Net cash provided by noncapital financing activities | **31,715,275** | 37,254,044 |
| | | |
| **Cash flows from capital and related financing activities** | | |
| Purchase of capital assets | **(4,872,536)** | (10,111,069) |
| Proceeds from disposal of capital assets | **3,285** | - |
| Principal debt lease payments | **(1,129,113)** | (1,019,605) |
| Interest paid on capital debt | **(383,256)** | (421,846) |
| Fund borrowing | **-** | (2,089,145) |
| Net cash used in capital and related financing activities | **(6,381,620)** | (13,641,665) |
| | | |
| **Cash flows from investing activities** | | |
| Proceeds from sales and maturities of investment | **440,511** | - |
| Investment income | **378,680** | 5,563 |
| Purchase of investments | **(440,511)** | (375) |
| Net cash provided by investing activities | **378,680** | 5,188 |
| | | |
| Net increase (decrease) in cash and cash equivalents | **4,927,183** | (549,008) |
| | | |
| Cash and cash equivalents at beginning of year | **22,393,749** | 22,942,757 |
| Cash and cash equivalents at end of year | **$ 27,320,932** | $ 22,393,749 |

*See accompanying notes.*

Monroe County Community College

Statements of Cash Flows (continued)

| | Year Ended June 30 | |
|---|---|---|
| | **2023** | **2022** |
| **Reconciliation of net operating loss to net cash used in operating activities:** | | |
| Operating loss | **$ (22,255,446)** | $ (24,877,695) |
| Adjustment to reconcile operating loss to net cash used for operating activities: | | |
| Depreciation and amortization | **3,066,689** | 2,749,736 |
| (Increase) decrease in assets: | | |
| Accounts receivable | **(108,847)** | 1,998,791 |
| Inventories | **(5,391)** | 76,534 |
| Prepaid expenses and other assets | **406,484** | (575,429) |
| Increase (decrease) in liabilities: | | |
| Accounts payable | **391,106** | (118,467) |
| Accrued payroll and fringes | **(558,357)** | 10,495 |
| Deposits | **39,773** | (1,855) |
| Unearned revenue | **685,199** | 94,971 |
| Net pension and OPEB liability and related accounts | **(2,446,362)** | (3,523,656) |
| Net cash used in operating activities | **$ (20,785,152)** | $ (24,166,575) |

The Foundation at Monroe County Community College

Statements of Financial Position

| | June 30 2023 | June 30 2022 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | **$ 1,054,314** | $ 1,203,974 |
| Unconditional promises to give: | | |
| Restricted for scholarships | **1,455** | 3,335 |
| Restricted other, net of allowance $2,500 ($2,500 in 2022) | **105,010** | 105,660 |
| Total unconditional promises to give | **106,465** | 108,995 |
| Total current assets | **1,160,779** | 1,312,969 |
| | | |
| Brokerage investments, at market value: | | |
| Endowment investments | **5,817,633** | 5,141,736 |
| Endowment investments Cultural | **2,784,302** | 2,571,450 |
| Total brokerage investments, at market value | **8,601,935** | 7,713,186 |
| | | |
| Long-term unconditional promises to give: | | |
| Restricted other, net of allowance $15,000 ($17,500 in 2022) | **539,500** | 623,500 |
| Total assets | **$ 10,302,214** | $ 9,649,655 |
| | | |
| **Liabilities** | | |
| Accounts payable | **$ 49,387** | $ 3,577 |
| Total current liabilities | **49,387** | 3,577 |
| | | |
| **Net assets** | | |
| Net assets, without restrictions | **574,399** | 496,270 |
| Net assets, with restrictions | **9,678,428** | 9,149,808 |
| Total net assets | **10,252,827** | 9,646,078 |
| Total liabilities and net assets | **$ 10,302,214** | $ 9,649,655 |

*See accompanying notes.*

The Foundation at Monroe County Community College

Statements of Activities

| | Year Ended June 30 | |
|---|---|---|
| | **2023** | **2022** |
| **Revenues, gains, and other support** | | |
| Contributions | **$ 343,460** | $ 667,359 |
| Contributions - In kind | **17,500** | 100,000 |
| Corporate grants | **-** | 100,000 |
| Special events | **24,074** | 15,500 |
| Donated administrative support | **336,400** | 260,214 |
| Net investment income (loss) | **778,868** | (1,271,855) |
| Total revenues, gains, and other support | **1,500,302** | (128,782) |
| | | |
| **Expenses** | | |
| Scholarships | **239,226** | 263,845 |
| Grants | **313,961** | 367,525 |
| Fundraising | **1,714** | - |
| Donated administrative expenses | **336,400** | 260,214 |
| Other | **2,252** | 2,066 |
| Total expenses | **893,553** | 893,650 |
| | | |
| Change in net assets | **606,749** | (1,022,432) |
| | | |
| Net assets at beginning of year | **9,646,078** | 10,668,510 |
| Net assets at end of year | **$ 10,252,827** | $ 9,646,078 |

*See accompanying notes.*

## 1. Reporting Entity, Basis of Presentation and Significant Accounting Policies

### Reporting Entity

Monroe County Community College (College) is a Michigan community college which has two locations located in Monroe County. The College was founded in 1964 and is governed by a seven-member board of trustees, elected by the public.

As required by generally accepted accounting principles, these financial statements present the College and its component unit, The Foundation at Monroe County Community College as described in the following paragraph.

The Foundation at Monroe County Community College (Foundation) is a legally separate, tax-exempt component unit of the College. The Foundation acts primarily as a fundraising organization to supplement the resources that are available to the College in support of its programs. The board members of the Foundation are appointed by the College's board. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests is restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements.

Separate audited financial statements for the Foundation can be obtained from the Foundation at Monroe County Community College at 1555 South Raisinville Road, Monroe, MI 48161.

### Basis of Presentation

College

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to public colleges and universities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The College reports as a business-type activity (BTAs), as defined by GASB. BTAs are those that are financed in whole or in part by fees charged to external parties for goods or services.

Foundation

The Foundation reports under the provisions of accounting standards codification topic 958, *Not-For-Profit Entities*. 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.

**1. Reporting Entity, Basis of Presentation and Significant Accounting Policies (continued)**

**Significant Accounting Policies**

Measurement Focus and Basis of Accounting

The business-type financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting.* Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Cash and Cash Equivalents and Short-term Investments

College and Foundation cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. College short-term investments include certificates of deposits and are stated at fair value.

Restricted Investments and Brokerage Investments

College investments which are separately invested for an endowed purpose are reflected as restricted. Foundation brokerage investments include investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair value. Realized gains and losses and any changes in market value during the year (unrealized gains and losses) are included in investment income. Endowment investments are those investments that hold the funds in which donors have restricted the use of principal.

Receivables

Accounts receivable resulting from student tuition and government and state grants consists of operating revenue recognized, but not received, as of June 30, 2023 and 2022. An allowance for doubtful accounts is established based on a specific assessment of all invoices that remain unpaid following normal student payment periods. In addition, a general valuation allowance is established for other student accounts receivable based on historical loss experience.

Inventories

Inventories, including books and miscellaneous supplies, are stated at the lower of cost or net realizable value using the first-in, first-out method.

## 1. Reporting Entity, Basis of Presentation and Significant Accounting Policies (continued)

### Significant Accounting Policies (continued)

Property and Equipment

Property and equipment are recorded at cost, or if acquired by gift, at the fair market value as of the date of acquisition. The College maintains a capitalization threshold of five thousand dollars. Depreciation is provided for property and equipment on a straight-line basis. Estimated useful lives are as follows:

| | |
|---|---|
| Land and improvements | 10 years |
| Building and improvements | 10-40 years |
| Infrastructure | 10-20 years |
| Furniture, fixtures and equipment | 5-10 years |

Accrued Vacation

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the College will compensate employees for the benefits through paid time off or some other means. The College records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Unearned Revenue

Unearned revenue is a combination of grant and tuition revenue received prior to year-end that relates to the next fiscal year. Unearned revenue at June 30 is as follows:

| | **2023** | **2022** |
|---|---|---|
| Grants: | | |
| D3C3 Retention | **$ 760,579** | $ - |
| HEERF II | **-** | 149,844 |
| Upward Bound | **-** | 81,546 |
| Other grants | **84,736** | 19,221 |
| Tuition: | | |
| Summer semester | **212,939** | 66,286 |
| Fall semester | **15,496** | 71,654 |
| Total unearned revenue | **$ 1,073,750** | $ 388,551 |

**1. Reporting Entity, Basis of Presentation and Significant Accounting Policies (continued)**

**Significant Accounting Policies (continued)**

Pension and OPEB

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

Deferred Outflows of Resources and Deferred Inflow of Resources

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense) until then. The College reports deferred outflows of resources for certain pension-related and other post-employment benefits (OPEB)-related amounts, such as changes in expected and actual experience, changes in assumptions, and certain contributions made to the plan subsequent to the measurement date.

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 represents an acquisition of net position that applies to future period(s) 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-related and OPEB-related amounts, such as changes in expected and actual experiences, changes in assumption, and funding received through state appropriations for contributions to the pension plan after the measurement date.

More detailed information on deferred outflows of resources and deferred inflows of resources can be found in Notes 6 and 7.

**1. Reporting Entity, Basis of Presentation and Significant Accounting Policies (continued)**

**Significant Accounting Policies (continued)**

Restricted Net Position and Net Assets With Restriction

Permanently restricted net position may be utilized only in accordance with the purposes established by the source of such funds. The permanently restricted funds maintained by the College are general purpose funds, which permit only the use of net investment earnings and require that the original fund corpus be maintained. The investment earnings on these permanently restricted assets are classified as unrestricted net position in accordance with the donor's designation.

As of June 30, the Foundation reported the following net assets with donor restrictions:

| | 2023 | 2022 |
|---|---|---|
| Scholarships: | | |
| Held under endowment | **$ 5,693,938** | $ 5,149,816 |
| Available | **341,964** | 327,747 |
| | **6,035,902** | 5,477,563 |
| Cultural enrichment of the performing arts: | | |
| Permanently restricted | **25,000** | 25,000 |
| Available | **2,481,968** | 2,364,911 |
| | **2,506,968** | 2,389,911 |
| Various grants | **771,998** | 400,177 |
| Capital projects | **363,560** | 827,074 |
| Construction of the career technology center | **-** | 55,083 |
| Total net assets with donor restrictions | **$ 9,678,428** | $ 9,149,808 |

Unrestricted Net Deficit and Net Assets Without Restriction

The College has designated the use of unrestricted net deficit at June 30 as follows:

| | 2023 | 2022 |
|---|---|---|
| Designated for: | | |
| Working capital | **$ 17,390,775** | $ 14,002,185 |
| Pension and OPEB funds | **(39,550,602)** | (41,996,965) |
| Technology equipment | **1,679,896** | 1,535,969 |
| Auxiliary activities | **1,415,885** | 1,471,725 |
| Student loans | **18,413** | 18,413 |
| Quasi-endowment | **139,359** | 134,761 |
| Major maintenance and renovation | **7,764,088** | 5,738,848 |
| Total unrestricted net deficit | **$ (11,142,186)** | $ (19,095,064) |

## 1. Reporting Entity, Basis of Presentation and Significant Accounting Policies (continued)

### Significant Accounting Policies (continued)

Unrestricted Net Deficit and Net Assets Without Restriction (continued)

As of June 30, the Foundation reported the following net assets without donor restrictions:

| | 2023 | 2022 |
|---|---|---|
| Designated | **$ 428,529** | $ 286,491 |
| Undesignated | **145,870** | 209,779 |
| Total net assets without donor restrictions | **$ 574,399** | $ 496,270 |

Operating Revenues and Expenses

The College distinguishes the operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services in connection with a BTAs principal ongoing operation. The operating revenue of the College relates to charges to students for tuition, including grants, and auxiliary sales. Operating expenses include the cost of instruction, the related services, administration, and depreciation of capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

Scholarship Allowances

Student tuition and fee revenues and certain other revenues from students are 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 students and/or third parties making payments on the student's behalf. Certain governmental grants, such as Pell, and other federal, state, or nongovernmental grants, 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.

Property Taxes

Property tax revenue is recognized in the year for which taxes have been levied. Property taxes are levied on December 1 of the fiscal year, based on assessed valuation as of the preceding December 31. The taxes, which are collected and remitted to the College by townships, villages, and cities within the College district boundaries, are collected through February 28. Uncollected real property taxes of the College are turned over to Monroe County for subsequent collection. The College is subsequently paid 100% of delinquent real property taxes through the county's tax revolving funds. These payments are usually received within three to five months after the delinquency date.

## 1. Reporting Entity, Basis of Presentation and Significant Accounting Policies (continued)

### Significant Accounting Policies (continued)

Use of Estimates

The process of preparing financial statements in accordance with GAAP requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Impact of COVID-19

On March 11, 2020, the World Health Organization declared the outbreak a pandemic now known as COVID-19. In response to the COVID-19 pandemic, governments took preventive or protective actions, such as temporary closures of non-essential business and "stay-at-home" guidelines for individuals. As a result, the global economy has been negatively affected, and the College's operations were also impacted. To offset the financial impact to students and the losses incurred by the College due to the disruption caused by COVID-19, the College received grants and other relief primarily from the Coronavirus Aid, Relief, and Economic Securities (CARES) Act, Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA), and American Rescue Plan Act (ARPA). The College was allocated Higher Education Emergency Relief Fund (HEERF) grants totaling $9,415,550, of which $3,786,879 was required to be given directly to students. For the year ended June 30, 2023, the College recognized HEERF grant revenue totaling $1,094,563 and $5,310,112 for the year ended June 30, 2022.

Prior Period Restatement

The College has restated the June 30, 2022 financial statements after becoming aware that they had overstated revenue and understated deferred inflow of resources related to the state appropriation that was received after the pension measurement date.

Balances were restated as follows for the effects of the restatement:

| | June 30, 2022 As Originally Reported | Restatement | June 30, 2022 As Restated |
|---|---|---|---|
| Deferred inflow of resources | $ 11,039,127 | $ 1,694,140 | $ 12,733,267 |
| State appropriation revenue | 7,588,943 | (87,676) | 7,501,267 |
| Beginning of year net position | 32,513,140 | (1,606,464) | 30,906,676 |
| End of year net position | 42,813,043 | (1,694,140) | 41,118,903 |

## 1. Reporting Entity, Basis of Presentation and Significant Accounting Policies (continued)

### Significant Accounting Policies (continued)

Reclassification

Certain 2022 amounts have been reclassified to conform to the 2023 presentation.

## 2. Cash and Cash Equivalents and Investments

***College***

The College's cash and cash equivalents and investments were included in the statements of net position under the following classifications as of June 30:

| | **2023** | 2022 |
|---|---|---|
| Cash and cash equivalents | **$ 27,320,932** | $ 22,393,749 |
| Short-term investments | **250,677** | 250,375 |
| Restricted investment | **189,834** | 189,447 |
| Total cash and cash equivalents and investments | **$ 27,761,443** | $ 22,833,571 |

As of June 30, 2023 and 2022, the College's investments are comprised entirely of bank certificates of deposit with maturity dates in October and December 2023.

The balances above are comprised of $27,759,805 as of June 30, 2023 and $22,831,283 as of June 30, 2022 of bank deposits (checking accounts, savings accounts, and certificates of deposit) and $1,638 as of June 30, 2023 and $2,288 as of June 30, 2022 of petty cash and cash on hand

Bank Deposits

The above bank deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at $28,153,007 as of June 30, 2023 and $22,988,271 as of June 30, 2022. Of that amount, $689,834 as of June 30, 2023 and $939,470 as of June 30, 2022 were covered by federal depository insurance, while the remainder was uninsured and uncollateralized.

The College believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the College evaluates each institution it deposits College funds with and assesses the level of risk of each institution. Only those institutions with an acceptable estimated risk level are used as depositories.

## 2. Cash and Cash Equivalents and Investments (continued)

***College (continued)***

Investments

*Interest Rate Risks*

The College's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, the College manages its exposure to interest rate risk by generally limiting investment maturities to less than one year.

*Credit Risk*

The College's credit risk is limited by the Michigan Public Act 331 and by resolution of the Board of Trustees to invest in limited types of investments as described previously. The College has no investment policy that would further limit its investment choices.

*Concentration of Credit Risk*

The College places no limit on the amount the College may deposit or invest in any one issuer. The percent of the College's cash and cash equivalents and investments by insurer as of June 30, were as follows:

| | **2023** | **2022** |
|---|---|---|
| PNC Bank | **98%** | 96% |
| Flagstar | **1%** | 1% |
| First Merchants Bank | **1%** | 3% |
| Total | **100%** | 100% |

*Custodial Credit Risk*

The College investment policies do not address custodial credit risk. However, the entire bank pooled investment accounts and bank deposit accounts are in the name of the College.

## 2. Cash and Cash Equivalents and Investments (continued)

### *Foundation*

The Foundation's cash and cash equivalents and investments were included in the statements of financial position under the following classifications as of June 30:

| | 2023 | 2022 |
|---|---|---|
| Cash and cash equivalents | **$ 1,054,314** | $ 1,203,974 |
| Endowment investments | **5,817,633** | 5,141,736 |
| Endowment investments Cultural | **2,784,302** | 2,571,450 |
| Total cash and cash equivalents and investments | **$ 9,656,249** | $ 8,917,160 |

Bank Deposits

At times throughout the year, the Foundation may maintain certain bank accounts in excess of the Federal Deposit Insurance Corporation (FDIC) insured limits. Management believes that it is not exposed to any significant credit risk due to the strength of the financial institution in which the funds are held. In addition, the amounts over FDIC insured limit are covered by First Merchants Bank through a bond program, where the bank holds municipal bonds which are used to collateralize the funds held in the sweep accounts for not-for-profit entities.

Investments

All investments of the Foundation are either donor-restricted endowments, donor restricted grants, Foundation designated endowments or College designated endowments. The Foundation's investments as of June 30 are as follows:

| | 2023 | 2022 |
|---|---|---|
| Money market | **$ 592,713** | $ 256,144 |
| Individual securities: | | |
| Corporate stocks | **276,194** | 347,345 |
| Mutual funds: | | |
| Equity funds | **2,945,142** | 2,469,517 |
| Fixed income funds | **1,663,048** | 1,528,586 |
| Total mutual funds | **4,608,190** | 3,998,103 |
| Exchange traded funds: | | |
| Equity funds | **2,062,602** | 1,932,106 |
| Fixed income funds | **820,240** | 837,715 |
| REIT | **241,996** | 341,773 |
| Total exchange traded funds | **3,124,838** | 3,111,594 |
| Total brokerage investments | **$ 8,601,935** | $ 7,713,186 |

## 2. Cash and Cash Equivalents and Investments (continued)

### *Foundation (continued)*

*Credit Risk*

The Foundation is subject to concentration of credit risk relating to marketable equity securities and it is at least reasonably possible that changes in net values of investment securities will occur in the near term and that such change could materially affect the amounts recorded in the statements of financial position. Marketable equity securities consist primarily of equity securities, bonds, mutual funds, and alternative investments, which could subject the Foundation to losses in the event of a general downturn in the stock market.

## 3. Fair Value Measurements

The College and the Foundation categorize their fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets that the College and the Foundation have the ability to access; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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

The College has the following recurring fair value measurements as of June 30:

| | | Fair Value Measurements Using | | |
|---|---|---|---|---|
| | **Fair Value** | **Quoted Prices in Active Markets for Identical Assets (Level 1)** | **Significant Other Observable Inputs (Level 2)** | **Significant Unobservable Inputs (Level 3)** |
| **2023** | | | | |
| Bank certificates of deposits | **$ 440,511** | **$ 440,511** | **$ -** | **$ -** |
| **2022** | | | | |
| Bank certificates of deposits | $ 439,822 | $ 439,822 | $ - | $ - |

The fair value of the bank certificates of deposits at June 30, 2023 and 2022, was determined primarily on Level 1 inputs. The College records the fair value of these investments using the cost-plus interest incrementally earned.

## 3. Fair Value Measurements (continued)

The Foundation has the following recurring fair value measurements as of June 30, 2023:

| | | Fair Value Measurements Using | | |
|---|---|---|---|---|
| | **Fair Value** | **Quoted Prices in Active Markets for Identical Assets (Level 1)** | **Significant Other Observable Inputs (Level 2)** | **Significant Unobservable Inputs (Level 3)** |
| Money market | **$ 592,713** | **$ 592,713** | **$ -** | **$ -** |
| Corporate stocks | **276,194** | **276,194** | **-** | **-** |
| Equity funds | **5,007,744** | **5,007,744** | **-** | **-** |
| Fixed income funds | **2,483,288** | **2,483,288** | **-** | **-** |
| REIT | **241,996** | **241,996** | **-** | **-** |
| Total brokerage investments | **$ 8,601,935** | **$ 8,601,935** | **$ -** | **$ -** |

The Foundation has the following recurring fair value measurements as of June 30, 2022:

| | | Fair Value Measurements Using | | |
|---|---|---|---|---|
| | **Fair Value** | **Quoted Prices in Active Markets for Identical Assets (Level 1)** | **Significant Other Observable Inputs (Level 2)** | **Significant Unobservable Inputs (Level 3)** |
| Money market | $ 256,144 | $ 256,144 | $ - | $ - |
| Corporate stocks | 347,345 | 347,345 | - | - |
| Equity funds | 4,401,623 | 4,401,623 | - | - |
| Fixed income funds | 2,366,301 | 2,366,301 | - | - |
| REIT | 341,773 | 341,773 | - | - |
| Total brokerage investments | $ 7,713,186 | $ 7,713,186 | $ - | $ - |

The fair value of money market accounts at June 30, 2023 and 2022, was determined primarily on Level 1 inputs. Invested cash and short-term investments are invested in money market funds whose portfolio is composed of highly rated short-term issuance managed with the primary goal of preserving principal while providing minimal yield.

The fair value of corporate stocks at June 30, 2023 and 2022, was determined primarily on Level 1 inputs. Individual securities are stated at fair value determined primarily from quoted prices in the market in which they are principally traded.

The fair value of equity funds and fixed income funds at June 30, 2023 and 2022, was determined primarily on Level 1 inputs. Equity funds and fixed income funds in mutual funds are pools of assets commingled together to benefit from professional management and through

### 3. Fair Value Measurements (continued)

economies of scale. Investors own shares of the fund and are provided a net asset value (NAV) per share on a regular basis. Mutual funds are registered with the U.S. Securities and Exchange Commission. Equity funds and fixed income funds in exchange traded funds are baskets of securities designed to replicate various indices and whose value is determined through daily market action in the shares of the exchange traded fund. Fair market value is determined by obtaining prices from quoted market sources.

The fair value of REIT funds at June 30, 2023 and 2022, was determined primarily on Level 1 inputs. REIT are baskets of securities designed to replicate various indices and whose value is determined through daily market action in the shares of the exchange traded fund. Fair market value is determined by obtaining prices from quoted market sources.

### 4. Property and Equipment

The following table presents the changes in the various capital asset categories for the years ended June 30:

| | Beginning Balance | Additions | Deletions | Transfers | Ending Balance |
|---|---|---|---|---|---|
| **2023** | | | | | |
| Nondepreciable capital assets: | | | | | |
| Land | $ 1,517,910 | $ - | $ - | $ - | $ 1,517,910 |
| Construction in progress | 9,092,800 | 424,287 | - | (8,916,848) | 600,239 |
| Total nondepreciable capital assets | 10,610,710 | 424,287 | - | (8,916,848) | 2,118,149 |
| Depreciable capital assets: | | | | | |
| Land improvements | 3,470,739 | 352,640 | - | - | 3,823,379 |
| Building and improvements | 87,056,748 | 2,705,314 | - | 8,760,896 | 98,522,958 |
| Infrastructure | 3,808,823 | 389,736 | - | 94,809 | 4,293,368 |
| Furniture, fixtures, and equipment | 10,169,174 | 339,061 | 169,327 | 61,143 | 10,400,051 |
| Total depreciable capital assets | 104,505,484 | 3,786,751 | 169,327 | 8,916,848 | 117,039,756 |
| Total capital assets | 115,116,194 | 4,211,038 | 169,327 | - | 119,157,905 |
| Less accumulated depreciation: | | | | | |
| Land improvements | 2,279,973 | 143,087 | - | - | 2,423,060 |
| Building and improvements | 34,407,305 | 2,087,276 | - | - | 36,494,581 |
| Infrastructure | 2,207,982 | 84,543 | - | - | 2,292,525 |
| Furniture, fixtures, and equipment | 5,304,310 | 674,512 | 161,126 | - | 5,817,696 |
| Total accumulated depreciation | 44,199,570 | 2,989,418 | 161,126 | - | 47,027,862 |

## 4. Property and Equipment (continued)

| | Beginning Balance | Additions | Deletions | Transfers | Ending Balance |
|---|---|---|---|---|---|
| Intangible right-to-use assets: | | | | | |
| Right-to-use asset – leased equipment | **$ 279,832** | **$ -** | **$ 60,989** | **$ -** | **$ 218,843** |
| Less accumulated amortization | **138,260** | **77,271** | **60,989** | **-** | **154,542** |
| Net intangible right-to-use assets | **141,572** | **(77,271)** | **-** | **-** | **64,301** |
| Total capital assets, net | **$ 71,058,196** | **$ 1,144,349** | **$ 8,201** | **$ -** | **$ 72,194,344** |

**2022**

| | Beginning Balance | Additions | Deletions | Transfers | Ending Balance |
|---|---|---|---|---|---|
| Nondepreciable capital assets: | | | | | |
| Land | $ 1,368,163 | $ 149,747 | $ - | $ - | $ 1,517,910 |
| Construction in progress | 5,560,463 | 8,610,758 | - | (5,078,421) | 9,092,800 |
| Total nondepreciable capital assets | 6,928,626 | 8,760,505 | - | (5,078,421) | 10,610,710 |
| Depreciable capital assets: | | | | | |
| Land improvements | 3,470,739 | - | - | | 3,470,739 |
| Building and improvements | 84,333,243 | 208,469 | - | 2,515,036 | 87,056,748 |
| Infrastructure | 2,658,774 | 60,414 | - | 1,089,635 | 3,808,823 |
| Furniture, fixtures, and equipment | 8,406,664 | 1,066,161 | 777,401 | 1,473,750 | 10,169,174 |
| Total depreciable capital assets | 98,869,420 | 1,335,044 | 777,401 | 5,078,421 | 104,505,484 |
| Total capital assets | 105,798,046 | 10,095,549 | 777,401 | - | 115,116,194 |
| Less accumulated depreciation: | | | | | |
| Land improvements | 2,132,720 | 147,253 | - | - | 2,279,973 |
| Building and improvements | 32,361,078 | 2,046,227 | - | - | 34,407,305 |
| Infrastructure | 2,202,101 | 21,401 | 15,520 | - | 2,207,982 |
| Furniture, fixtures, and equipment | 5,551,055 | 528,004 | 774,749 | - | 5,304,310 |
| Total accumulated depreciation | 42,246,954 | 2,742,885 | 790,269 | - | 44,199,570 |
| Intangible right-to-use assets: | | | | | |
| Right-to-use asset – leased equipment | 279,832 | - | - | - | 279,832 |
| Less accumulated amortization | 60,989 | 77,271 | - | - | 138,260 |
| Net intangible right-to-use assets | 218,843 | (77,271) | - | - | 141,572 |
| Total capital assets, net | $ 63,769,935 | $ 7,275,393 | $ (12,868) | $ - | $ 71,058,196 |

## 5. Accrued Payroll and Fringes

Accrued payroll and fringes include the following as of June 30:

| | 2023 | 2022 |
|---|---|---|
| Payroll | **$ 613,691** | $ 1,030,918 |
| Accrued vacation | **413,222** | 439,661 |
| Pension plan | **310,364** | 462,038 |
| Other retirement and fringes | **675,986** | 639,003 |
| Total accrued payroll and fringes | **$ 2,013,263** | $ 2,571,620 |

## 6. Defined Benefit Pension Plans and Postemployment Benefits

Plan Description

The College contributes to the Michigan Public School Employees' Retirement System (System or MPSERS), a cost-sharing multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (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 provision 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, and 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 Michigan.gov/ORSSchools.

**6. Defined Benefit Pension Plans and Postemployment Benefits (continued)**

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 reinstatement their service through repayment of the refund upon satisfaction of certain requirements.

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 costs are funded on a current basis. The unfunded (overfunded) actuarial accrued liability of the September 30, 2021 valuation will be amortized over a 17-year period beginning October 1, 2021 and ending September 30, 2038.

The schedule below summarizes pension contribution rates in effect for fiscal year ended September 30:

| | **2022** | | **2021** | |
|---|---|---|---|---|
| **Benefit Structure** | **Member** | **Employer** | **Member** | **Employer** |
| Basic | **0.00 – 4.00%** | **20.14%** | 0.00 – 4.00% | 19.78% |
| Member Investment Plan | **3.00 – 7.00%** | **20.14%** | 3.00 – 7.00% | 19.78% |
| Pension Plus | **3.00 – 6.40%** | **17.22%** | 3.00 – 6.40% | 16.82% |
| Pension Plus 2 | **6.20%** | **19.93%** | 6.20% | 19.59% |
| Defined Contribution | **0.00%** | **13.73%** | 0.00% | 13.39% |

## 6. Defined Benefit Pension Plans and Postemployment Benefits (continued)

Contributions (continued)

The College's required contribution to the plan for the year ended June 30, 2023 was $3,620,889 and $3,523,680 for the year ended June 30, 2022. In addition, the College recognized Section 147(c)(1) payments allocable to the pension contribution of $1,694,140 for the year ended June 30, 2023 and $1,606,464 for the year ended June 30, 2022 in revenue from the State of Michigan to fund MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate. These funds were also remitted to the plan.

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

As of June 30, 2023, the College reported a liability of $40,009,855 and $27,783,909 as of June 30, 2022, for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2022 and 2021, respectively, and the total pension liability used to calculate the net pension liability was determined by actuarial valuation rolled-forward from September 30, 2021 and 2020, respectively. The College's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the System during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. As of September 30, 2022, the College's proportion was 0.10638%, which was a decrease of 0.01097% from its proportion measured as of September 30, 2021. As of September 30, 2021, the College's proportion was 0.11735%, which was a decrease of 0.00369% from its proportion measured as of September 30, 2020.

For the year ended June 30, 2023, the College recognized pension expense of $3,331,430 and $2,027,896 for the year ended June 30, 2022.

**6. Defined Benefit Pension Plans and Postemployment Benefits (continued)**

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

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

| | **2023** | | **2022** | |
|---|---|---|---|---|
| | **Deferred Outflows of Resources** | **Deferred (Inflows) of Resources** | **Deferred Outflows of Resources** | **Deferred (Inflows) of Resources** |
| Differences between actual and expected experience | **$ 400,238** | **$ (89,458)** | $ 430,385 | $ (163,614) |
| Changes of assumptions | **6,875,127** | **-** | 1,751,398 | - |
| Net differences between projected and actual plan investment earnings | **93,823** | **-** | - | (8,932,437) |
| Changes in proportion and differences between the College's contributions and proportionate share of contributions | **2,971** | **(3,626,799)** | - | (1,943,076) |
| Sec147c state aid award subsequent to the measurement date | **-** | **(2,762,171)** | - | (1,694,140) |
| The College's contributions subsequent to the measurement date | **4,439,858** | **-** | 3,288,560 | - |
| | **$ 11,812,017** | **$ (6,478,428)** | $ 5,470,343 | $ (12,733,267) |

Deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date of $4,439,858 at June 30, 2023 and $3,288,560 at June 30, 2022 will be recognized as a reduction of the net pension liability in the years ending June 30, 2024 and 2023, respectively. Deferred inflows of resources resulting from Sec147c state aid award subsequent to the measurement date of $2,762,171 at June 30, 2023 and $1,694,140 at June 30, 2022 will be recognized as state appropriation revenue in the years ending June 30, 2024 and 2023, respectively. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| | **2023** | **2022** |
|---|---|---|
| 2023 | **$ -** | $ (1,599,498) |
| 2024 | **742,390** | (2,180,789) |
| 2025 | **426,721** | (2,552,790) |
| 2026 | **478,584** | (2,524,267) |
| 2027 | **2,008,207** | - |
| | **$ 3,655,902** | $ (8,857,344) |

**6. Defined Benefit Pension Plans and Postemployment Benefits (continued)**

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 liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

| | |
|---|---|
| Valuation Date: | September 30, 2021 |
| Actuarial Cost Method: | Entry Age, Normal |
| Wage Inflation Rate: | 2.75% |
| Investment Rate of Return: | |
| MIP and Basic Plans | 6.00% |
| Pension Plus Plan | 6.00% |
| Pension Plus 2 Plan | 6.00% |
| Projected Salary Increase: | 2.75 to 11.55%, including wage inflation of 2.75% |
| Cost-of-Living Adjustments: | 3.00% Annual Non-Compounded for MIP Members |
| Mortality: | |
| Retirees | RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006. |
| Active | RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006. |

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2018 valuation. The total pension liability as of September 30, 2022 and 2021, is based on the results of an actuarial valuation date of September 30, 2021 and 2020, respectively, and rolled forward using generally accepted actuarial procedures, including the experience study.

**6. Defined Benefit Pension Plans and Postemployment Benefits (continued)**

Actuarial Assumptions (continued)

Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.3922 as of September 30, 2022 and 4.4892 as of September 30, 2021.

Recognition period for assets in years: 5.0000

Full actuarial assumptions are available in the 2022 MPSERS Annual Comprehensive Financial Report found on the ORS website at Michigan.gov/ORSSchools.

Long-Term Expected Rate of Return on Plan Assets

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

| Asset Class | 2022 Target Allocation | 2022 Long-term Expected Real Rate of Return* | 2021 Target Allocation | 2021 Long-term Expected Real Rate of Return* |
|---|---|---|---|---|
| Domestic Equity Pools | **25.00%** | **5.1%** | 25.00% | 5.4% |
| Private Equity Pools | **16.00%** | **8.7%** | 16.00% | 9.1% |
| International Equity Pools | **15.00%** | **6.7%** | 15.00% | 7.5% |
| Fixed Income Pools | **13.00%** | **(0.2)%** | 10.50% | (0.7)% |
| Real Estate and Infrastructure Pools | **10.00%** | **5.3%** | 10.00% | 5.4% |
| Absolute Return Pools | **9.00%** | **2.7%** | 9.00% | 2.6% |
| Real Return/Opportunistic Pools | **10.00%** | **5.8%** | 12.50% | 6.1% |
| Short Term Investment Pools | **2.00%** | **(0.5)%** | 2.00% | (1.3)% |
| | **100.00%** | | 100.00% | |

*Long-term rates of return are net of administrative expenses and 2.20% inflation as of September 30, 2022 and 2.00% inflation as of September 30, 2021.

**6. Defined Benefit Pension Plans and Postemployment Benefits (continued)**

Rate of Return

The annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was (4.18)% for the fiscal year ended September 30, 2022 and 27.30% for the fiscal year ended September 30, 2021. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 6.00%, as of September 30, 2022, was used to measure the total pension liability (Pension Plus plan and Pension 2 plan, both of which are hybrid plans provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 6.00% as of September 30, 2022. A discount rate of 6.80%, as of September 30, 2021, was used to measure the total pension liability (6.80% for Pension Plus plan, 6.00% for the Pension Plus 2 plan). This discount rate was based on the long-term expected rate of return on pension plan investments of 6.80% (6.80% for Pension Plus plan, 6.00% for the Pension Plus 2 plan) as of September 30, 2021. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the 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 at June 30, calculated using the discount rate depending on the plan option, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

| | **1% Decrease** | **Discount Rate** | **1% Increase** |
|---|---|---|---|
| | **(5.00%)** | **(6.00%)** | **(7.00%)** |
| **2023** | **$ 52,798,145** | **$ 40,009,855** | **$ 29,471,729** |
| | (5.80%/5.80%/5.00%)* | (6.80%/6.80%/6.00%)* | (7.80%/7.80%/7.00%)* |
| **2022** | $ 39,723,454 | $ 27,783,909 | $ 17,885,242 |

*Discount rates listed in the following order: Basic and Member Investment Plan (MIP), Pension Plus, and Pension Plus 2.

## 6. Defined Benefit Pension Plans and Postemployment Benefits (continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS Annual Comprehensive Financial Report, available on the ORS website at Michigan.gov/ORSSchools.

Payable to the Pension Plan

The College reported a payable of $82,450 as of June 30, 2023 and $136,678 as of June 30, 2022. These amounts represent current payments for June paid in July, accruals for summer pay (primarily for professors), and the contributions due funded from state aid revenue section 147c restricted to fund the MPSERS UAAL Stabilization rate contributions.

Optional Defined Contribution Plan

Professional employees of the College may elect to participate in an optional retirement program (ORP) in lieu of participating in the MPSERS plan. The ORP is a defined contribution plan affiliated with the Teachers Insurance and Annuity Association and the College Retirement Equities Fund (TIAA-CREF). For fiscal year 2020 and prior, the College's contribution percentage to the ORP plan mirrored that of the corresponding plan of the participant under MPSERS. In addition, the participant also contributes a percentage of their compensation to the plan. The average contribution percentages for the participants were approximately 5.29% for the year ended June 30, 2023 and 5.49% for the year ended June 30, 2022. Total covered payroll and College contributions were approximately $4.3 million and $.8 million, respectively for the year ended June 30, 2023 and approximately $3.9 million and $.8 million, respectively, for the year ended June 30, 2022. The contribution percentages for the College and the participants are now maxed out at 12% and 4%, respectively.

## 7. Postemployment Benefits Other Than Pensions (OPEB)

Plan Description

The College contributes to MPSERS, a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by 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.

**7. Postemployment Benefits Other Than Pensions (OPEB) (continued)**

Plan Description (continued)

The System's health plan provides all eligible 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 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 Michigan.gov/ORSSchools.

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 OPEB, members who first worked on or after July 1, 2008 (MIP-Plus plan members) have a graded premium subsidy based on career length were 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.

**7. Postemployment Benefits Other Than Pensions (OPEB) (continued)**

Benefits Provided (continued)

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, 2021 valuation will be amortized over a 17-year period beginning October 1, 2021 and ending September 30, 2038.

The schedule below summarizes OPEB contribution rates in effect for fiscal years ended September 30:

| | **2022** | | **2021** | |
|---|---|---|---|---|
| **Benefit Structure** | **Member** | **Employer** | **Member** | **Employer** |
| Premium Subsidy | **3.00%** | **8.09%** | 3.00% | 8.43% |
| Personal Healthcare Fund (PHF) | **0.00%** | **7.23%** | 0.00% | 7.57% |

The College's required contribution to the for the year ended June 30, 2023 was $799,191 and $838,112 for the year ended June 30, 2022.

## 7. Postemployment Benefits Other Than Pensions (OPEB) (continued)

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

As of June 30. 2023, the College reported a liability of $2,222,218 and $1,723,291 as of June 30, 2022, for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2022 and 2021, respectively, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2021 and 2020, respectively. The College's proportion of the net OPEB liability was determined by dividing each employer 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. As of September 30, 2022, the College's proportion was 0.10492%, which was a decrease of .00798% from its proportion measured as of September 30, 2021. As of September 30, 2021, the College's proportion was 0.11290%, which was a decrease of .00479% from its proportion measured as of September 30, 2020.

For the year ended June 30, 2023, the College recognized OPEB income of $1,232,737 and $1,255,206 for the year ended June 30, 2022. As of June 30, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | **Deferred Outflows of Resources** | **Deferred (Inflows) of Resources** | **Deferred Outflows of Resources** | **Deferred (Inflows) of Resources** |
| Differences between actual and expected experience | **$ -** | **$ (4,352,473)** | $ - | $ (4,919,012) |
| Changes of assumptions | **1,980,734** | **(161,283)** | 1,440,586 | (215,565) |
| Net differences between projected and actual plan investment earnings | **173,684** | **-** | - | (1,298,876) |
| Changes in proportion and differences between the College's contributions and proportionate share of contributions | **11,949** | **(1,024,668)** | 12,630 | (921,652) |
| The College's contributions subsequent to the measurement date | **719,938** | **-** | 675,048 | - |
| | **$ 2,886,305** | **$ (5,538,424)** | $ 2,128,264 | $ (7,355,105) |

## 7. Postemployment Benefits Other Than Pensions (OPEB) (continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)

Deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date of $719,938 at June 30, 2023 and $675,048 at June 30, 2022 will be recognized as a reduction of the net OPEB liability in the years ending June 30, 2024 and 2023, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| | **2023** | **2022** |
|---|---|---|
| 2023 | **$ -** | $ (1,590,922) |
| 2024 | **(1,164,356)** | (1,440,733) |
| 2025 | **(993,284)** | (1,262,721) |
| 2026 | **(879,954)** | (1,144,123) |
| 2027 | **(192,495)** | (409,650) |
| 2028 | **(125,160)** | (53,740) |
| 2029 | **(16,808)** | - |
| | **$ (3,372,057)** | $ (5,901,889) |

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 member 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.

Additional information as of the latest actuarial valuation follows:

| | |
|---|---|
| Valuation Date: | September 30, 2021 |
| Actuarial Cost Method: | Entry Age, Normal |
| Wage Inflation Rate: | 2.75% |
| Investment Rate of Return: | 6.00% |

**7. Postemployment Benefits Other Than Pensions (OPEB) (continued)**

Actuarial Assumptions (continued)

| | |
|---|---|
| Projected Salary Increases: | 2.75% to 11.55%, including wage inflation at 2.75% |
| Health Cost Trend Rate: | Pre-65: 7.75% Year 1 graded to 3.5% Year 15, 3.0% Year 120<br>Post-65: 5.25% Year 1 graded to 3.5% Year 15, 3.0% Year 120 |
| Mortality: | |
| Retirees | RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006. |
| Active | RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006. |
| Other Assumptions: | |
| Opt-Out Assumptions | 21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan. |
| Survivor Coverage | 80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death. |
| Coverage Election at Retirement | 75% of male and 60% of female future retirees are assumed to elect coverage for one or more dependents. |

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual OPEB valuations beginning with the September 30, 2018 valuation. The total OPEB liability as of September 30, 2022 and 2021, is based on the results of an actuarial date of September 30, 2021 and 2020, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 6.2250 as of September 30, 2022 and 6.1312 as of September 30, 2021.

Recognition period for assets in years is 5.0000.

Full actuarial assumptions are available in the 2022 MPSERS Annual Comprehensive Financial Report found on the ORS website at Michigan.gov/ORSSchools.

**7. Postemployment Benefits Other Than Pensions (OPEB) (continued)**

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2022 and 2021, are summarized in the following table:

| | 2022 | | 2021 | |
|---|---|---|---|---|
| Asset Class | Target Allocation | Long-term Expected Real Rate of Return* | Target Allocation | Long-term Expected Real Rate of Return* |
| Domestic Equity Pools | **25.00%** | **5.1%** | 25.00% | 5.4% |
| Private Equity Pools | **16.00%** | **8.7%** | 16.00% | 9.1% |
| International Equity Pools | **15.00%** | **6.7%** | 15.00% | 7.5% |
| Fixed Income Pools | **13.00%** | **(0.2)%** | 10.50% | (0.7)% |
| Real Estate and Infrastructure Pools | **10.00%** | **5.3%** | 10.00% | 5.4% |
| Absolute Return Pools | **9.00%** | **2.7%** | 9.00% | 2.6% |
| Real Return/Opportunistic Pools | **10.00%** | **5.8%** | 12.50% | 6.1% |
| Short Term Investment Pools | **2.00%** | **(0.5)%** | 2.00% | (1.3)% |
| | **100.00%** | | 100.00% | |

*Long-term rates of return are net of administrative expenses and 2.20% inflation as of September 30, 2022 and 2.00% inflation as of September 30, 2021.

Rate of Return

The annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, (4.99)% for fiscal year September 30, 2022 and 27.14% for fiscal year September 30, 2021. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 6.00% as of September 30, 2022, was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.00% as of September 30, 2022. A discount rate of 6.95% as of September 30, 2021, was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.95% as of September 30, 2021.

**7. Postemployment Benefits Other Than Pensions (OPEB) (continued)**

Discount Rate (continued)

The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employee contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

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

| | 1% Decrease | Discount Rate | 1% Increase |
|---|---|---|---|
| | **(5.00%)** | **(6.00%)** | **(7.00%)** |
| **2023** | **$ 3,727,556** | **$ 2,222,218** | **$ 954,536** |
| | (5.95%) | (6.95%) | (7.95%) |
| **2022** | $ 3,202,186 | $ 1,723,291 | $ 468,238 |

| | 1% Decrease | Current Healthcare Cost Trend Rate | 1% Increase |
|---|---|---|---|
| **2023** | **$ 930,558** | **$ 2,222,218** | **$ 3,672,130** |
| **2022** | $ 419,435 | $ 1,723,291 | $ 3,190,286 |

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued MPSERS Annual Comprehensive Financial Report, available on the ORS website at Michigan.gov/ORSSchools.

## 7. Postemployment Benefits Other Than Pensions (OPEB) (continued)

Payables to the OPEB Plan

The College reported a payable of $37,823 as of June 30, 2023 and $62,945 as of June 30, 2022. These amounts represent current payments for June paid in July.

## 8. Federal Direct Lending Program

The College distributed $3,000,511 for the year ended June 30, 2023 and $2,519,890 for the year ended June 30, 2022 for student loans through the U.S. Department of Education federal direct lending program. These distributions and related funding source are not included as revenues or expenses in the accompanying financial statements.

## 9. Collateralized State Bonds

The State of Michigan has made several construction projects grants to the College. The Michigan State Building Authority is responsible for financing the State's 50% grant portion, which is done by selling bonds. The College deeds the related buildings and sites to the Michigan State Building Authority to collateralize those bonds. When the bond obligations are fully paid, the related properties will be deeded back to the College. The following properties are currently collateral for Michigan bonds:

| Property | Fiscal Year of Completion | States Original Grant |
|---|---|---|
| Library | June, 2001 | $1.25 million |
| La-Z-Boy Center for Business and the Performing Arts | June, 2005 | $6.00 million |
| Career Technology Center Building | June, 2014 | $8.50 million |
| Founders Hall (formerly East and West Technology | June, 2021 | $3.75 million |

## 10. Long-Term Liabilities

The following is the long-term liability activity for the year ended June 30, 2023:

| | Balances July 1, 2022 | Additions | Reductions | Balances June 30, 2023 | Due Within One Year |
|---|---|---|---|---|---|
| Key Government Finance | $ 5,360,889 | $ - | $ 551,770 | $ 4,809,119 | $ 571,252 |
| Sterling National Bank | 5,602,044 | - | 504,328 | 5,097,716 | 522,647 |
| Total direct borrowings and direct placements | $ 10,962,933 | $ - | $ 1,056,098 | $ 9,906,835 | $ 1,093,899 |

**10. Long-Term Liabilities (continued)**

The following is the long-term liability activity for the year ended June 30, 2022:

| | Balances July 1, 2021 | Additions | Reductions | Balances June 30, 2022 | Due Within One Year |
|---|---|---|---|---|---|
| Key Government Finance | $ 5,893,843 | $ - | $ 532,954 | $ 5,360,889 | $ 551,770 |
| Sterling National Bank | 6,088,695 | - | 486,651 | 5,602,044 | 504,328 |
| Total direct borrowings and direct placements | $ 11,982,538 | $ - | $ 1,019,605 | $ 10,962,933 | $ 1,056,098 |

Direct Borrowings and Direct Placement

In 2015, the College secured financing for the construction of a new HVAC system. The financing was split 50/50 between Key Government Finance and Signature Public Funding Corp. assigned by Sterling National Bank on March 10, 2017. Terms of each note are as follows:

- Key Government Finance HVAC Note: Term note, payable $367,308 semi-annually beginning March 30, 2016, including interest at 3.5% due September 30, 2030, secured by HVAC system.

- Sterling National Bank HVAC Note: Term note, payable $350,751 semi-annually beginning March 30, 2016, including interest at 3.6% due September 30, 2031, secured by HVAC system.

Annual principal and interest requirements to maturity for the above note payable obligations are as follows:

| Fiscal Year | Principal | Interest | Total |
|---|---|---|---|
| 2024 | $ 1,093,899 | $ 342,220 | $ 1,436,119 |
| 2025 | 1,133,052 | 303,067 | 1,436,119 |
| 2026 | 1,173,607 | 262,512 | 1,436,119 |
| 2027 | 1,215,614 | 220,505 | 1,436,119 |
| 2028 | 1,259,125 | 176,994 | 1,436,119 |
| 2029 – 2032 | 4,031,538 | 260,260 | 4,291,798 |
| | $ 9,906,835 | $ 1,565,558 | $ 11,472,393 |

## 10. Long-Term Liabilities (continued)

The College's outstanding note from direct borrowings and direct placements related to governmental activities contains a provision that in the event of default, either by (1) being unable to make principal or interest payments, (2) making any statement, representation or warranty in pursuant to the execution, delivery, or performance of the lease that have been false, misleading, or breached in any material respect, (3) becoming insolvent, having an order for relief applicable to federal bankruptcy law, or making an assignment for the benefit of creditors, or (4) the lender at any time in good faith believing that the prospect of payment of any indebtedness is impaired. Upon the occurrence of any default event, the outstanding amounts, including accrued interest become immediately due and payable.

## 11. Lease Commitments

On October 10, 2020, the College entered into a lease agreement with MT Business Technologies, Inc. for a variety of copiers. The lease is for five years, at monthly payments beginning at $1,825 and increasing to $3,192 over the duration of the lease, plus additional charges for excess usage. For purposes of discounting future payments on the lease, the College used a discount rate of 2.85%.

On June 4, 2018, the College entered into a lease agreement with Applied Imaging for leased equipment within the College's copy center. The lease was for five years, at monthly payments beginning at $3,998 and increasing to $4,413 over the duration of the lease. For purposes of discounting future payments on the lease, the College used a discount rate of 2.85%.

The leased equipment and accumulated amortization of the right to use assets are outlined in Note 4. Annual lease requirements as of June 30, 2023 relating to the operating lease are as follows:

| | MT Business Technologies | | |
|---|---|---|---|
| **Fiscal Year** | **Principal** | **Interest** | **Total** |
| 2024 | $ 30,084 | $ 1,772 | $ 31,856 |
| 2025 | 35,794 | 842 | 36,636 |
| 2026 | 9,530 | 45 | 9,575 |
| | $ 75,408 | $ 2,659 | $ 78,067 |

**12. Self Insurance**

Beginning July 1, 2015, the College is partially self-insured for healthcare benefits. The self-insured healthcare plan covers approximately 100 employees and their dependents. Claims are funded by the College and paid by the plan administrator; actual payments are based on claims filed. As of June 30, 2023 and 2022, the College's insurance policy covers claims in excess of $25,000 per covered employee and/or their dependent. The College pays the administrative costs of the plan. Self-insured employee benefit liability for the year ending June 30 were as follows:

| | 2023 | 2022 |
|---|---|---|
| Balance, beginning of year | **$ 141,930** | $ 182,803 |
| Claims incurred, premiums paid and changes in estimates | **2,584,509** | 2,464,889 |
| Claim and premium payments | **(2,576,107)** | (2,505,762) |
| Balance, end of year | **$ 150,332** | $ 141,930 |

**13. Property Taxes**

The College received 2.1794 mills for both fiscal years 2023 and 2022 for current operations. The College also received .85 mills for both fiscal years 2023 and 2022 for maintenance and improvements. The property taxes were levied on December 1 of the fiscal year, based on assessed valuation as of the preceding December 31. The taxable value for real and personal property was $6.78 billion for fiscal year 2023 tax collections and $6.54 billion for fiscal year 2022 tax collections. The taxable value is approximately 50% of the properties' fair market value with limits on the annual increase.

**14. Risk Management**

The College is exposed to various risks of loss related to property loss, errors and omissions, workers' compensation, as well as medical benefits provided to employees. The College has purchased commercial insurance for medical benefit and workers' compensation claims and participates in the Michigan Community College Risk Management Authority risk pool for all other types of claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Community College Risk Management Authority risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Members' premiums are used to purchase commercial excess coverage for claims in excess of $100,000 for each insured amount, and to pay member claims in excess of deductible amounts.

## 14. Risk Management (continued)

The College has a share of the reserve for future claims in the shared-risk pool of $1,315,473 as of June 30, 2023 and $1,163,266 as of June 30, 2022. Although premiums are paid annually to the Authority, which the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the College. All payments to the pool were expensed by the College.

## 15. Tax Abatement

Municipalities within the College boundaries entered into property tax abatement agreements with local businesses under two programs: The Plant Rehabilitation and Industrial Development Districts Act, (known as the Industrial Facilities Exemption) PA 198 of 1974, as amended, and the Brownfield Redevelopment Financing Act, under Act 381 of 1996, as amended. An Industrial Facilities Tax Exemption (IFT) certificate entitles the facility to exemption from ad valorem real and/or personal property taxes for a term of 1-12 years as determined by the local unit of government. The IFT on new plant and new industrial property is computed at 50% of the taxes levied. The municipalities can elect to freeze the taxable values for rehabilitation properties. The Brownfield Program uses tax increment financing (TIF) to reimburse brownfield related costs incurred while redeveloping contaminated, functionally obsolete, blighted, or historic properties.

For the year ended June 30, 2023, the College's property tax revenue for general operations was reduced by $121,592 and $216,346 for the year ended June 30, 2022, under these programs. The abatements issued by other governmental units are as follows as of June 30, 2023:

| Governmental Unit | IFT | PA 328 of 1998 & La-Z-Boy RZ | Others | Total |
|---|---|---|---|---|
| Ash | **$ 16,805** | **$ -** | **$ -** | **$ 16,805** |
| Bedford | **11,762** | **-** | **-** | **11,762** |
| Dundee | **9,388** | **-** | **-** | **9,388** |
| Erie | **497** | **-** | **-** | **497** |
| Frenchtown | **25,042** | **-** | **-** | **25,042** |
| Monroe | **554** | **-** | **-** | **554** |
| Monroe City | **22,420** | **30,944** | **3,220** | **56,584** |
| Summerfield | **268** | **-** | **-** | **268** |
| Whiteford | **692** | **-** | **-** | **692** |
| | **$ 87,428** | **$ 30,944** | **$ 3,220** | **$ 121,592** |

**15. Tax Abatement (continued)**

The abatements issued by other governmental units are as follows as of June 30, 2022:

| Governmental Unit | IFT | PA 328 of 1998 & La-Z-Boy RZ | Others | Total |
|---|---|---|---|---|
| Ash | $ 16,269 | $ 67,411 | $ - | $ 83,680 |
| Bedford | 12,921 | - | - | 12,921 |
| Dundee | 21,016 | - | - | 21,016 |
| Erie | 509 | - | - | 509 |
| Frenchtown | 4,548 | - | - | 4,548 |
| Monroe | 571 | - | 755 | 1,326 |
| Monroe City | 23,880 | 64,760 | 2,729 | 91,369 |
| Summerfield | 285 | - | - | 285 |
| Whiteford | 692 | - | - | 692 |
| | $ 80,691 | $ 132,171 | $ 3,484 | $ 216,346 |

**16. Commitments, Contingencies and Capital Outlay**

In the normal course of its activities, the College is party to various legal actions. It is the opinion of College officials that the potential claims in excess of insurance coverage resulting from the remaining litigation would not have a material effect on the financial statements.

The College completed construction of the new HVAC system in fiscal year 2018. This project replaces the College's boilers and provides up-to-date heating and colling for the entire campus. The total cost of this project was $16.2 million. The total payments for each fiscal year through 2031 will be $1.4 million as disclosed in Note 10.

On May 29, 2018, DTE Electric Company filed petitions with the Michigan Tax Tribunal requesting a large reduction in their taxable values on both the Monroe Power Plant located in the City of Monroe by 50.50%, and the Fermi 2 Nuclear Power Plant located in Frenchtown Charter Township by 60.00%. In May 2020, the City of Monroe and DTE signed a Consent Agreement regarding the Monroe Power Plant tax appeal that will result in a total taxable value reduction for the plant by 2025 of 28.33%. In regard to the Fermi 2 Nuclear Power Plant, while Frenchtown Township and DTE have been negotiating, no settlement has been reached and it appears that the case will be heard by the Michigan Tax Tribunal. MCCC has entered into a Tax Tribunal and Appeal Litigation Cost Sharing Agreement with the eight public entities who would be adversely affected by a taxable value reduction. On August 27, 2020, the MCCC Board of Trustees authorized expenditures up to $30,000 in support of the Agreement granting that, "this amount may be increased with additional revenue and approval by the Board."

**16. Commitments, Contingencies and Capital Outlay (continued)**

Construction began on the renovation of the Campbell Learning Resources Building in fiscal year 2021. The total estimated cost of the renovation is $11.6 million. Property tax revenue generated from the maintenance and improvement millage is funding the project. The project was completed during fiscal year 2023 and the College capitalized the building at a total cost of $10.9 million.

Projects currently recorded in construction in progress include: Student Services Renovation for $233,562, Physical Plant Building Projects for $144,354, Campus Wireless Wiring Project for $98,383, DTE Lighting Project for $67,934, and other projects for $56,006. Once these projects have been completed, they will be capitalized in the College's physical plant fund.

**17. Foundation Endowments**

The endowment funds maintained by the Foundation are held for the purpose of perpetual scholarship funds which permit the use of net investment earnings only and require that the original fund corpus be maintained.

The composition of endowment net assets and the changes in endowment net assets as of June 30 are as follows:

| | **2023** | **2022** |
|---|---|---|
| Endowment net assets, beginning of year | **$ 7,713,186** | $ 8,872,631 |
| Contributions collected | **279,546** | 314,584 |
| Net investment income (loss) | **757,204** | (1,273,950) |
| Distributions | **(148,001)** | (200,079) |
| Endowment net asset, end of year | **$ 8,601,935** | $ 7,713,186 |

<u>Interpretation of Relevant Law</u>

The Foundation is subject to the State Prudent Management of Institutional Funds Act (SPMIFA) and, therefore, classifies amounts in its donor-restricted endowment fund as net assets with donor restrictions until the Board appropriates amounts for expenditure and any purpose restrictions have been met. The Board of Directors of the Foundation have interpreted SPMIFA as requiring the maintenance of only the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, the Foundation would consider the fund to be underwater if the fair value of the fund is less than the sum of (1) the original value of initial and subsequent gifts donated to the fund and (2) any accumulations to the fund that are required to be maintained in perpetuity in accordance with applicable donor gift instrument. The Foundation has interpreted SPMIFA to permit spending from underwater funds in accordance with prudent measures required under the law. The fund is not currently underwater.

**17. Foundation Endowments (continued)**

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for scholarships supported by the endowments, while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor specified period(s). Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that approximate the price and yield results of various indexes such as the S&P 500. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of appropriating for distribution each year an amount equal to 4 percent of the three-year rolling average of each endowment. The Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow annually. This is consistent with the Foundation’s objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

The investment earnings on these restricted assets, along with other designated contributions and earnings are classified as net assets with restrictions because the funds are used according to donor-imposed restrictions. Once restrictions are met restricted net assets are reclassified to net assets without restrictions and reported in the statement of activities as net assets released from restrictions.

**18. Related Party Transactions**

The College donated direct personnel support, supplies, and use of equipment to the Foundation of $336,400 for the year ended June 30, 2023 and $260,214 for the year ended June 30, 2022.

The Foundation distributes scholarships and grants for the sole benefit of the College and its students. The total amount distributed to the College for scholarships and grants for the year ended June 30, 2023 was $553,187 and for the year ended June 30, 2022 was $631,370.

**19. Upcoming Accounting Pronouncements**

In June 2020, the GASB issued GASB Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences under a unified model. This statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means and establishes guidance for measuring a liability for leave that has not been used. It also updates disclosure requirements for compensated absences. The provisions of this statement are effective for the College's financial statements for the year ending June 30, 2025.

Required Supplementary Information

Monroe County Community College

Schedule of the College's Proportionate Share of the Net Pension Liability and Notes to Required Supplementary Information
Michigan Public School Employees Retirement Plan
(amounts determined as of 9/30 of each year)

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

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|---|---|---|
| College's proportion of net pension liability | 0.10638% | 0.11735% | 0.12104% | 0.12544% | 0.12833% | 0.13175% | 0.13740% | 0.13386% | 0.13504% |
| College's proportionate share of net pension liability | $ 40,009,855 | $ 27,783,909 | $ 41,580,965 | $ 41,541,911 | $ 38,578,916 | $ 34,142,091 | $ 34,281,171 | $ 32,695,153 | $ 29,745,273 |
| College's covered payroll | $ 10,239,803 | $ 10,246,941 | $ 10,458,927 | $ 10,763,888 | $ 10,768,390 | $ 10,838,312 | $ 11,497,098 | $ 14,659,767 | $ 14,470,277 |
| College's proportionate share of net pension liability as a percentage of its covered payroll | 390.73% | 271.14% | 397.56% | 385.94% | 358.26% | 315.01% | 298.17% | 223.03% | 205.56% |
| Plan fiduciary net position as a percentage of total pension liability | 60.77% | 72.60% | 59.72% | 60.31% | 62.36% | 64.21% | 63.27% | 66.20% | 66.20% |

**Notes to Required Supplementary Information**

Benefit Changes: There were no changes of benefit terms for the pension plan from September 30, 2014 through September 30, 2022.

Assumption Changes: The discount rate for the September 30 valuation date was 8.00% for 2014-2016; 7.50% for 2017; 7.05% for 2018; 6.80% for 2019-2021; and 6.00% for 2022.

Monroe County Community College

Schedule of the College's Pension Contributions and Notes to Required Supplementary Information
Michigan Public School Employees Retirement Plan
(amounts determined as of 6/30 of each year)

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

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|---|
| Statutorily required pension contributions | $ 3,620,889 | $ 3,523,680 | $ 3,326,529 | $ 3,332,395 | $ 3,494,508 | $ 3,090,243 | $ 3,085,478 | $ 2,582,318 | $ 2,097,300 |
| Pension contributions in relation to statutorily required contributions | $ 3,620,889 | $ 3,523,680 | $ 3,326,529 | $ 3,332,395 | $ 3,494,508 | $ 3,090,243 | $ 3,085,478 | $ 2,582,318 | $ 2,097,300 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| College's covered payroll | $ 10,553,583 | $ 10,146,701 | $ 10,261,181 | $ 10,587,544 | $ 10,746,574 | $ 10,747,216 | $ 10,886,855 | $ 14,142,540 | $ 14,463,840 |
| Pension contributions as a percentage of covered payroll | 34.31% | 34.73% | 32.42% | 31.47% | 32.52% | 28.75% | 28.34% | 18.26% | 14.50% |

**Notes to Required Supplementary Information**

Benefit Changes: There were no changes of benefit terms for the pension plan from September 30, 2014 through September 30, 2022.

Assumption Changes: The discount rate for the September 30 valuation date was 8.00% for 2014-2016; 7.50% for 2017; 7.05% for 2018; 6.80% for 2019-2021; and 6.00% for 2022.

Monroe County Community College

Schedule of the College's Proportionate Share of the Net OPEB Liability and Notes to Required Supplementary Information
Michigan Public School Employees Retirement Plan
(amounts determined as of 9/30 of each year)

**Schedule of the College's Proportionate Share of the Net OPEB Liability**

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|---|
| College's proportion of net OPEB liability | 0.10492% | 0.11290% | 0.11769% | 0.12287% | 0.12626% | 0.13219% |
| College's proportionate share of net OPEB liability | $ 2,222,218 | $ 1,723,291 | $ 6,305,203 | $ 8,819,243 | $ 10,036,686 | $ 11,705,722 |
| College's covered payroll | $ 10,239,803 | $ 10,246,941 | $ 10,458,927 | $ 10,763,888 | $ 10,768,390 | $ 10,838,312 |
| College's proportionate share of net OPEB liability as a percentage of its covered payroll | 21.70% | 16.82% | 60.29% | 81.93% | 93.21% | 108.00% |
| Plan fiduciary net position as a percentage of total OPEB liability | 83.09% | 87.33% | 59.44% | 48.46% | 42.95% | 36.39% |

**Notes to Required Supplementary Information**

Benefit Changes: There were no changes of benefit terms for the OPEB plan from September 30, 2017 through September 30, 2022.

Assumption Changes: The discount rate for the September 30 valuation date was 7.50% for 2017; 7.15% for 2018; 6.95% for 2019-2021; and 6.00% for 2022.

Monroe County Community College

Schedule of the College's OPEB Contributions and Notes to Required Supplementary Information
Michigan Public School Employees Retirement Plan
(amounts determined as of 6/30 of each year)

**Schedule of the College's OPEB Contributions**

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|---|
| Statutorily required OPEB contributions | $ 799,191 | $ 838,112 | $ 831,540 | $ 843,630 | $ 819,577 | $ 1,029,126 |
| OPEB contributions in relation to statutorily required contributions | $ 799,191 | $ 838,112 | $ 831,540 | $ 843,630 | $ 819,577 | $ 1,029,126 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - |
| College's covered payroll | $ 10,553,583 | $ 10,146,701 | $ 10,261,181 | $ 10,587,544 | $ 10,746,574 | $ 10,747,216 |
| OPEB contributions as a percentage of covered payroll | 7.57% | 8.26% | 8.10% | 7.97% | 7.63% | 9.58% |

**Notes to Required Supplementary Information**

Benefit Changes: There were no changes of benefit terms for the OPEB plan from September 30, 2017 through September 30, 2022.

Assumption Changes: The discount rate for the September 30 valuation date was 7.50% for 2017; 7.15% for 2018; 6.95% for 2019-2021; and 6.00% for 2022.

# Other Supplementary Information

# Monroe County Community College

## Combining Statement of Net Position

June 30, 2023
(With Comparative Totals for June 30, 2022)

| | June 30, 2023 | | | | | | | | | June 30, 2022 |
|---|---|---|---|---|---|---|---|---|---|---|
| | General Fund | Pension and OPEB Liability Fund | Designated Fund | Auxiliary Activites Fund | Expendable Restricted Fund | Student Loan Fund | Endowment Fund | Plant Fund | Combined Total | Combined Total |
| **Assets** | | | | | | | | | | |
| Current assets: | | | | | | | | | | |
| Cash and cash equivalents | $ 15,065,969 | $ - | $ 1,457,046 | $ 1,390,636 | $ 1,428,415 | $ 18,413 | $ 114,474 | $ 7,845,979 | $ 27,320,932 | $ 22,393,749 |
| Short-term investments | 250,677 | - | - | - | - | - | - | - | 250,677 | 250,375 |
| Property taxes receivable, net of allowance of $25,540 ($21,744 in 2022) | 68,766 | - | - | - | - | - | - | 26,881 | 95,647 | 42,276 |
| State appropriation receivable | 965,617 | 310,364 | - | - | - | - | - | - | 1,275,981 | 1,236,888 |
| Interest receivable | - | - | - | - | - | - | 4,474 | - | 4,474 | 263 |
| Accounts receivable, net of allowance of $381,411 ($410,888 in 2022)) | 1,493,875 | - | - | 44,478 | 1,311,089 | - | 8,116 | - | 2,857,558 | 2,101,558 |
| Inventories | 11,387 | - | - | 43,562 | - | - | - | - | 54,949 | 49,558 |
| Prepaid expenses and other assets | 188,821 | - | 234,871 | - | 84,451 | - | - | - | 508,143 | 914,627 |
| Due from (to) other funds | 1,606,625 | - | - | 620 | (1,607,245) | - | - | - | - | - |
| Total current assets | 19,651,737 | 310,364 | 1,691,917 | 1,479,296 | 1,216,710 | 18,413 | 127,064 | 7,872,860 | 32,368,361 | 26,989,294 |
| Restricted investments | - | - | - | - | - | - | 189,834 | - | 189,834 | 189,447 |
| Property and equipment, net of accumulated depreciation and amortization | - | - | - | - | - | - | 59,100 | 72,135,244 | 72,194,344 | 71,058,196 |
| Total assets | 19,651,737 | 310,364 | 1,691,917 | 1,479,296 | 1,216,710 | 18,413 | 375,998 | 80,008,104 | 104,752,539 | 98,236,937 |
| **Deferred outflows of resources** | | | | | | | | | | |
| Deferred pension amounts | - | 11,812,017 | - | - | - | - | - | - | 11,812,017 | 5,470,343 |
| Deferred OPEB amounts | - | 2,886,305 | - | - | - | - | - | - | 2,886,305 | 2,128,264 |
| Total deferred outflows of resources | - | 14,698,322 | - | - | - | - | - | - | 14,698,322 | 7,598,607 |

# Monroe County Community College

## Combining Statement of Net Position

### June 30, 2023
### (With Comparative Totals for June 30, 2022)

| | June 30, 2023 | | | | | | | | | June 30, 2022 |
|---|---|---|---|---|---|---|---|---|---|---|
| | General Fund | Pension and OPEB Liability Fund | Designated Fund | Auxiliary Activites Fund | Expendable Restricted Fund | Student Loan Fund | Endowment Fund | Plant Fund | Combined Total | Combined Total |
| **Liabilities** | | | | | | | | | | |
| Current liabilities: | | | | | | | | | | |
| Accounts payable | $ 235,416 | $ - | $ 12,021 | $ 62,065 | $ 251,857 | $ - | $ - | $ 108,772 | $ 670,131 | $ 949,890 |
| Accrued payroll and fringes | 1,684,726 | 310,363 | - | 1,346 | 16,828 | - | - | - | 2,013,263 | 2,571,620 |
| Deposits | 112,385 | - | - | - | 27,040 | - | - | - | 139,425 | 99,652 |
| Unearned revenue | 228,435 | - | - | - | 845,315 | - | - | - | 1,073,750 | 388,551 |
| Current portion of debt obligations | - | - | - | - | - | - | - | 1,093,899 | 1,093,899 | 1,056,098 |
| Current portion of lease commitments | - | - | - | - | - | - | - | 30,084 | 30,084 | 73,015 |
| Total current liabilities | 2,260,962 | 310,363 | 12,021 | 63,411 | 1,141,040 | - | - | 1,232,755 | 5,020,552 | 5,138,826 |
| Debt obligations, net of current portion | - | - | - | - | - | - | - | 8,812,936 | 8,812,936 | 9,906,835 |
| Lease commitments, net of current portion | - | - | - | - | - | - | - | 45,324 | 45,324 | 75,408 |
| Net pension liability | - | 40,009,855 | - | - | - | - | - | - | 40,009,855 | 27,783,909 |
| Net OPEB liability | - | 2,222,218 | - | - | - | - | - | - | 2,222,218 | 1,723,291 |
| Total liabilities | 2,260,962 | 42,542,436 | 12,021 | 63,411 | 1,141,040 | - | - | 10,091,015 | 56,110,885 | 44,628,269 |
| **Deferred inflows of resources** | | | | | | | | | | |
| Deferred pension amounts | - | 6,478,428 | - | - | - | - | - | - | 6,478,428 | 12,733,267 |
| Deferred OPEB amounts | - | 5,538,424 | - | - | - | - | - | - | 5,538,424 | 7,355,105 |
| Total deferred inflows of resources | - | 12,016,852 | - | - | - | - | - | - | 12,016,852 | 20,088,372 |
| **Net position** | | | | | | | | | | |
| Invested in capital assets, net of related debt | - | - | - | - | - | - | 59,100 | 62,153,001 | 62,212,101 | 59,946,840 |
| Restricted for: | | | | | | | | | | |
| Nonexpendable endowments | - | - | - | - | - | - | 177,539 | - | 177,539 | 177,539 |
| Expendable: | | | | | | | | | | |
| Scholarships | - | - | - | - | 3,474 | - | - | - | 3,474 | 3,475 |
| Other | - | - | - | - | 72,196 | - | - | - | 72,196 | 86,113 |
| Unrestricted deficit | 17,390,775 | (39,550,602) | 1,679,896 | 1,415,885 | - | 18,413 | 139,359 | 7,764,088 | (11,142,186) | (19,095,064) |
| Total net position | $ 17,390,775 | $ (39,550,602) | $ 1,679,896 | $ 1,415,885 | $ 75,670 | $ 18,413 | $ 375,998 | $ 69,917,089 | $ 51,323,124 | $ 41,118,903 |

# Monroe County Community College

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

### Year Ended June 30, 2023
### (With Compartative Totals for the Year Ended June 30, 2022)

| | Year Ended June 30, 2023 | | | | | | | | | Year Ended June 30, 2022 |
|---|---|---|---|---|---|---|---|---|---|---|
| | **General Fund** | **Pension and OPEB Liability Fund** | **Designated Fund** | **Auxiliary Activities Fund** | **Expendable Restricted Fund** | **Student Loan Fund** | **Endowment Fund** | **Plant Fund** | **Combined Total** | **Combined Total** |
| **Operating revenue:** | | | | | | | | | | |
| Tuition and fees, net of scholarship allowance of $1,847,917 ($2,270,788 in 2022) | $ 6,740,123 | $ - | $ 1,190,350 | $ - | $ (1,437,081) | $ - | $ - | $ - | $ 6,493,392 | $ 6,277,162 |
| Federal grants | 32,277 | - | - | - | 2,012,124 | - | - | - | 2,044,401 | 1,225,696 |
| State grants | - | - | - | - | 125,222 | - | - | - | 125,222 | 139,004 |
| Auxiliary activities, net of scholarship allowance of $251,422 ($258,680 in 2022) | - | - | - | 240,143 | (251,422) | - | - | - | (11,279) | (20,660) |
| Other sources | 207,333 | - | - | 1,990 | 209,697 | - | 18,233 | 1,950 | 439,203 | 352,209 |
| Total operating revenue | 6,979,733 | - | 1,190,350 | 242,133 | 658,540 | - | 18,233 | 1,950 | 9,090,939 | 7,973,411 |
| **Operating expense:** | | | | | | | | | | |
| Instruction | 10,037,345 | (371,283) | 160,917 | - | 705,576 | - | - | (267,120) | 10,265,435 | 9,426,743 |
| Information technology | 1,219,302 | (43,018) | 582,619 | - | - | - | - | (67,068) | 1,691,835 | 1,523,813 |
| Public services | 161,807 | (1,962) | 4,658 | 25,754 | 102,818 | - | - | - | 293,075 | 213,587 |
| Instructional support | 2,766,541 | (54,149) | 128,389 | - | 144,981 | - | - | (21,686) | 2,964,076 | 2,950,440 |
| Student services | 2,599,363 | (108,961) | 105,082 | 272,219 | 2,534,692 | - | - | (4,779) | 5,397,616 | 7,024,087 |
| Institutional administration | 3,652,812 | (93,967) | 47,555 | - | 1,107,065 | - | 5,838 | (46,247) | 4,673,056 | 5,798,952 |
| Operation and maintenance of plant | 3,459,456 | (78,883) | 17,203 | - | - | - | - | (403,173) | 2,994,603 | 3,093,327 |
| Depreciation and amortization | - | - | - | - | - | - | - | 3,066,689 | 3,066,689 | 2,820,157 |
| Total operating expense | 23,896,626 | (752,223) | 1,046,423 | 297,973 | 4,595,132 | - | 5,838 | 2,256,616 | 31,346,385 | 32,851,106 |
| Operating income (loss) | (16,916,893) | 752,223 | 143,927 | (55,840) | (3,936,592) | - | 12,395 | (2,254,666) | (22,255,446) | (24,877,695) |
| **Nonoperating revenue (expense)** | | | | | | | | | | |
| State appropriations | 6,254,573 | 1,694,140 | - | - | - | - | - | - | 7,948,713 | 7,501,267 |
| Property tax levy | 14,733,870 | - | - | - | - | - | - | 5,739,288 | 20,473,158 | 19,779,241 |
| Federal Pell grant revenue | - | - | - | - | 2,436,027 | - | - | - | 2,436,027 | 2,402,151 |
| Federal HEERF grant revenue | - | - | - | - | 1,094,563 | - | - | - | 1,094,563 | 5,310,112 |
| Investment income | 316,790 | - | - | - | - | - | 4,597 | 62,193 | 383,580 | 5,691 |
| Gifts | 250 | - | - | - | 392,084 | - | - | 110,097 | 502,431 | 506,915 |
| Interest on capital assets - related debt | - | - | - | - | - | - | - | (373,889) | (373,889) | (412,803) |
| Loss on disposal of assets | - | - | - | - | - | - | - | (4,916) | (4,916) | (2,652) |
| Net nonoperating revenue (expense) | 21,305,483 | 1,694,140 | - | - | 3,922,674 | - | 4,597 | 5,532,773 | 32,459,667 | 35,089,922 |
| Income (loss) before transfers | 4,388,590 | 2,446,363 | 143,927 | (55,840) | (13,918) | - | 16,992 | 3,278,107 | 10,204,221 | 10,212,227 |
| Transfers in (out) | (1,000,000) | - | - | - | - | - | (12,394) | 1,012,394 | - | - |
| Net increase (decrease) in net position | 3,388,590 | 2,446,363 | 143,927 | (55,840) | (13,918) | - | 4,598 | 4,290,501 | 10,204,221 | 10,212,227 |
| Net position at beginning of year - restated | 14,002,185 | (41,996,965) | 1,535,969 | 1,471,725 | 89,588 | 18,413 | 371,400 | 65,626,588 | 41,118,903 | 30,906,676 |
| Net position at end of year | $ 17,390,775 | $ (39,550,602) | $ 1,679,896 | $ 1,415,885 | $ 75,670 | $ 18,413 | $ 375,998 | $ 69,917,089 | $ 51,323,124 | $ 41,118,903 |

Board of Trustees

Monroe County Community College

*November 27, 2023*

AHP
CPAs & ADVISORS
ANDREWS HOOPER PAVLIK PLC

Board of Trustees

Monroe County Community College

*November 27, 2023*

- Introduction
  - AHP Representative

    Traci Moon – Partner

- Board of Trustees Letter
  - Services Provided and in Process
  - Results of our Audit of the Financial Statements
  - Required Communications with the Board of Trustees
  - Management Letter

- Financial Highlights

- Other Questions or Comments

ANDREWS HOOPER PAVLIK PLC
43252 WOODWARD AVENUE | SUITE 150 | BLOOMFIELD HILLS, MI 48302

November 27, 2023

Board of Trustees
Monroe County Community College
Monroe, Michigan

We are pleased to submit this report, which summarizes the results of our and other matters that we believe would be of interest to you.

## Services Provided and in Process

In accordance with our engagement letter, AHP provided the following services:

Audit Services:

- An audit of the financial statements of the College and the discreetly presented component unit, for the year ended June 30, 2023. Our audit included all procedures considered necessary by us to perform the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, and to issue our opinion thereon—Completed.
- An audit in accordance with the Uniform Grant Guidance and *Government Auditing Standards*. Our audit included procedures for testing requirements relate to the major federal award programs for the year ended June 30, 2023—In Process.

Nonaudit Services:

- Assistance with the preparation of the financial statements—Completed.
- Assistance with the preparation of the schedule of expenditures of federal awards—In Process.

We have reviewed the services provided and confirm that we are independent of Monroe County Community College.

## Results of our Audit of the Financial Statements

The audit was conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* and included such tests of the accounting records and such other auditing procedures as we considered necessary for the purpose of expressing an opinion on the financial statements.

The following summarizes various matters of interest noted during our audit:

Significant Risks

As noted in our scope letter dated June 5, 2023, we identified certain areas as having significant risks related to the potential of a material misstatement. We audited each of those significant risks with audit procedures designed to mitigate those risks. Based on our procedures performed, we noted no matters that need to be communicated to you.

Component Unit / Group Audit

We did not audit the financial statements of the discretely presented component unit, The Foundation at Monroe County Community College. Those statements were audited by other auditors whose report was furnished to us, and our opinion, insofar as it relates to the amounts included for The Foundation at Monroe County Community College, is based solely on the report of the other auditors.

Net Pension and OPEB Obligations

The College contributes to the Michigan Public School Employees Retirement System (MPSERS) pension plan and other postemployment benefit (OPEB) plan administered by the State of Michigan.

As of June 30, 2023, the MPSERS net pension obligation was approximately $40.0 million compared to $27.8 million as of June 30, 2022. As of June 30, 2023, the net OPEB obligation was approximately $2.2 million compared to $1.7 million as of June 30, 2022. Pension and OPEB expenses as a result of year end GASB 68 and GASB 75 entries were approximately a negative $3.5 million (negative $1.4 million for pension and negative $2.1 million for OPEB) for the year ended June 30, 2023, and approximately a negative $3.7 million (negative $1.6 million for pension and negative $2.1 million for OPEB) for the year ended June 30, 2022. Required contributions for the pension and OPEB plans were approximately $3.6 million and $0.8 million, respectively, for the year ended June 30, 2023.

For the MPSERS pension actuarial valuation, the discount rate was reduced to 6.00% compared to the prior year discount rate of 6.80%. As noted in Note 6 to the financial statements, the discount rate has a significant impact on the pension obligation. A 1% decrease in the discount rate would increase the current pension obligation by approximately $12.8 million.

For the MPSERS OPEB actuarial valuation, the discount rate was reduced to 6.00% compared to the prior year discount rate of 6.95%. As noted in Note 7 to the financial statements, the discount rate has a significant impact on the OPEB obligation. A 1% decrease in the discount rate would increase the current OPEB obligation by approximately $1.5 million.

Prior Period Restatement

The College has restated the June 30, 2022, financial statements after becoming aware that they had overstated revenue and understated deferred inflow of resources related to the state appropriation that was received after the pension measurement date.

Balances were restated as follows for the effects of the restatement as of June 30, 2022:

| | As Originally Reported | Restatement | As Restated |
|---|---|---|---|
| Deferred inflow of resources | $ 11,039,127 | $ 1,694,140 | $ 12,733,267 |
| State appropriation revenue | 7,588,943 | (87,676) | 7,501,267 |
| Beginning of year net position | 32,513,140 | (1,606,464) | 30,906,676 |
| End of year net position | 42,813,043 | (1,694,140) | 41,118,903 |

Uniform Grant Guidance

Our risk assessment to determine which Federal programs are to be audited as major programs concluded that the Student Financial Aid Cluster, Higher Education Emergency Relief Fund (HEERF), and TRIO/Upward Bound programs were considered to be major programs and were audited in accordance with the Uniform Grant Guidance.

Cybersecurity and Information Technology Controls

Cyberattacks are on the rise across the globe, and the cost of these attacks is ever increasing. Because of these attacks, entities stand to lose their reputation, the ability to operate efficiently, and proprietary information or assets. Entities may also be subject to financial and legal liabilities. Managing this issue is especially challenging because even an entity with a highly mature cybersecurity risk management program still has a residual risk that a material cybersecurity breach could occur and not be detected in a timely manner. We believe management should continue to monitor and evaluate this risk, which is a critical best practice. Additionally, periodic assessments of the system in order to verify that the control environment is functioning as designed are key parts of measuring associated business risk. We encourage those charged with governance to work with management on this very important topic. If we can be of assistance in the process, we would be happy to do so.

Adopted Audit and Accounting Standards

There were no adopted audit or accounting standards that had a material impact on the financial statements.

Future Audit and Accounting Standards

*GASB Statement No. 101, Compensated Absences*

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means.

The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, which will apply for the College's June 30, 2025 fiscal year. We anticipate this GASB Statement may have an impact on the College's financial statements.

## Required Communications with the Board of Trustees

This section discusses our responsibilities under AICPA Professional Standards AU-C Section 260, *The Auditor's Communication with Those Charged with Governance.* The following excerpts from that standard describe the specific matters required to be communicated to you and our responses thereto:

### Our Responsibility under U.S. Generally Accepted Auditing Standards

The auditor's standard report emphasizes that an audit conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* is designed to provide reasonable, but not absolute, assurance that the financial statements are free of material misstatement and in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). Our report dated November 27, 2023, follows this format. Because of the concept of reasonable assurance, and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

Our responsibility, as described by our professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. GAAP. Our audit does not relieve you or management of your responsibilities.

As part of the audit, we considered the internal control of the College. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning internal control.

### Planned Scope and Timing of the Audit

We performed the audit according to the planned scope previously communicated to you in our scope letter dated June 5, 2023. Due to turnover in the Financial Services Office, our planned audit procedures were delayed due to the trial balance and client working papers not being available when planned.

### Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the College are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the College during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the financial statements were:

- Allowance for uncollectible accounts
- Net pension and OPEB obligations

For each of the estimates listed above, we evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

The most sensitive disclosures affecting the financial statements were:

- Significant accounting policies
- Noncurrent liabilities
- Postemployment benefits

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We noted the following misstatements that management has corrected:

| | | |
|---|---|---|
| Lease payable | $ 47,858 | |
| Equipment – leased | | $ 47,858 |
| *(to correct the year-end entry made to account for leased equipment)* | | |
| | | |
| Due from grants fund (general fund) | $ 118,158 | |
| Accounts receivable (general fund) | | $ 118,158 |
| Due from general fund (auxiliary fund) | 620 | |
| Accounts receivable (auxiliary fund) | | 620 |
| Due from general fund (grants fund) | 615,812 | |
| Accounts receivable (grants fund) | | 615,812 |
| *(to balance due to/from accounts)* | | |
| | | |
| Property taxes – current (plant fund) | $ 18,991 | |
| TIFA (plant fund) | | $ 18,991 |
| Property taxes – current (general fund) | 48,831 | |
| TIFA (general fund) | | 48,831 |
| *(to correctly account for property tax revenue)* | | |

We also noted the following uncorrected misstatements which management has determined are not material to the financial statements:

| | | |
|---|---|---|
| Subscription Based Information Technology Asset (SBITA) | $ 72,787 | |
| Expense | 20,781 | |
| SBITA Liability | | $ 53,096 |
| Net Position | | 40,472 |
| *(the College did not record SBITAs in accordance with the new accounting standard)* | | |
| Payroll Expense | $ 26,104 | |
| Payroll Accrual | | $ 26,104 |
| *(the College did not properly record vacation accrual)* | | |
| Right-of-use (ROU) Asset | $ 72,382 | |
| ROU Lease Liability | | $ 72,382 |
| *(the College did not record leases as a ROU Asset with its corresponding liability)* | | |
| Deferred Revenue | $ 31,252 | |
| Tuition Revenue | | $ 31,252 |
| *(the incorrect number of days was used when determining the amount of deferred and recognized summer tuition)* | | |
| Scholarship Expense | $ 48,800 | |
| Grant Revenue | | $ 48,800 |
| *(grant was considered a pass-through scholarship but should have been recorded as a grant)* | | |

Disagreements with Management

For purposes of this letter, a disagreement with management is a disagreement on financial accounting, reporting, or auditing matters, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of the audit.

Management Representations

We have requested certain representations from management that are included in the management's representation letter dated November 27, 2023. A copy is attached for your reference.

Management's Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the financial statements or a determination of the type of opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all relevant facts. To our knowledge, there were no such consultations with other accountants.

Major Issues Discussed with Management Prior to Retention

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Required Supplementary Information

We applied certain limited procedures to the management's discussion and analysis, and the MPSERS cost-sharing multiple-employer pension and OPEB plan schedules and related notes, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Other Supplementary Information

With respect to the other supplementary information accompanying the financial statements, we made certain inquires of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. GAAP, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the other supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Communication of Fees for Nonaudit Services

As previously described in this letter, we performed certain nonaudit services at the request of management and documented in an engagement letter. Fees for these services did not exceed those noted in our engagement letter.

## Management Letter

We considered the College's internal controls during the course of the audit, and we remained alert for areas where procedures and controls could be improved. We noted no matters involving the internal control system and its operation that we would consider to be material weaknesses. However, we noted other matters involving the internal control or areas where operations may be improved that we have reported to management in a separate letter dated November 27, 2023.

* * *

This report is intended solely for the information and use of the Board of Trustees and management of Monroe County Community College and is not intended to be, and should not be, used by anyone other than these specified parties.

We will be pleased to respond to any comments or questions you may have concerning this letter or any other aspects of our services to Monroe County Community College.

It has been a pleasure to serve Monroe County Community College during 2023. We would like to express our appreciation for the cooperation and courtesy extended to us by the Board of Trustees, management, and employees of the College and look forward to continuing our association in the future.

Sincerely,

Andrews Hooper Pavlik PLC

ANDREWS HOOPER PAVLIK PLC
43252 WOODWARD AVENUE | SUITE 150 | BLOOMFIELD HILLS, MI 48302

Audit Committee
Monroe County Community College
Monroe, Michigan

In planning and performing our audit of the financial statements of Monroe County Community College (MCCC) as of and for the year ended June 30, 2023, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, we considered MCCC's internal control over financial reporting (internal control) as a basis for designing our audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the MCCC's internal control. Accordingly, we do not express an opinion on the effectiveness of the MCCC's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in MCCC's internal control to be significant deficiencies:

<u>Financial Reporting Process and Journal Entry Review</u>

During our audit procedures, inquiries, and journal entry testing, we noted there is no formal review and approval process for journal entries. Journal entries should have a formal review and approval process detailing a signature approving the manual journal entry. Additionally, we noted the Assistant Director of Financial Services has the ability to create, review, approve, and post journal entries indicating a lack of proper segregation of duties.

We recommend the College create a formal journal entry review and approval process that will detail an authorized approval signature for every manual journal entry made into the Colleague system. Also, we recommend the College set up controls in which employees who create, review, and approve journal entries do not also have the capabilities to enter journal entries into the software.

Information Technology Assessment

During our audit procedures to gain and understanding of the College's Information Technology environment, we noted the College does not have a formal Information Security Program, user access is not reviewed on an annual basis, and there is no formal Disaster Recovery or Business Continuity Plan in place.

We recommend that the College develop a formal Information Security Program, review user access annually, and develop a formal Disaster Recovery and Business Continuity Plan.

Accounts Receivable

During our review of accounts receivable, we noted the due to/due from accounts did not balance to zero for fiscal year 2023. Additionally, we noted the grant fund was not in balance at June 30, 2023.

We recommend the College establish a review process to review the journal entries made during the year to the due to/due from accounts and the grant funds, to ensure that the due to/due from accounts balance to zero at all times and that the individual grant funds balance.

Pension Accounting

During our review of the prior year financial statements, we noted that the College did not properly record and report the pension contribution made after the measurement date. Contributions made after the measurement date are to be deferred until the next fiscal year. This error caused a $1.7 million restatement to the prior year audited financial statements.

We recommend the College properly review and reconcile the pension accounts at year end to ensure that items after the measurement date, such as contributions received, are properly deferred until the next fiscal year.

Grant Accounting

During our review of grants and grants receivable, we noted that the Michigan Reconnect accounts receivable accounts showed a net negative balance while the Future for Frontliners accounts receivable account showed a very large and growing balance. Through discussions with client personnel, it was not immediately apparent whether deposits from the State were being recorded to the correct accounts; subsequent to our inquiry, it was discovered that over $500,000 of receipts had been applied to the Michigan Reconnect program instead of the Future for Frontliners program. This misreporting did not impact the current year financial statements; however, the prior year financial statements were incorrect. Receivables and deferred revenue were both overstated by $721,000.

We recommend that the College reconcile these pass-through scholarship accounts to ensure that they are being reimbursed accurately and that they are reporting the correct receivable balances for each program. In addition, deferred revenue accounts should not be used for transactions when no revenue is going to be subsequently recognized.

During our audit, we also became aware of the following deficiencies in internal control other than significant deficiencies or material weaknesses, and other matters that are opportunities for strengthening internal controls and operating efficiency:

Custodial Funds

The College currently does not use custodial fund accounting for the assets that are held for clubs and groups. The assets being held are normally cash and are pooled with the College's cash. While the College has properly recorded a payable for these amounts, the cash and accounts payable are recorded in the general fund.

We recommend that the College consider the use of a custodial fund for accounting for assets that do not belong to the College.

Grant Accounting

During our accounts receivable procedures, we were told that the College received a LEO Wraparound grant and recorded $48,800 receivable during the year; the credit side of the entry was to individual student's accounts receivable balance. The LEO Wraparound grant is a grant that was provided to the College, it is not a pass-through scholarship program like other monies received through other programs like Futures for Frontliners or Michigan Reconnect. Therefore, the grant should be accounted for in the restricted fund, and revenue and expense should be recorded based on the amounts provided to the students. Current year restricted revenue, expense, accounts receivable, and due to general fund were each understated by $48,800 while the general fund due from restricted fund was understated by $48,800 and accounts receivable were overstated by $48,800. For consolidation purposes, revenue and expense were each understated by $48,800.

We recommend that the College account for grants in the restricted fund and properly report revenue and expenses when appropriate.

We would be pleased to discuss these matters in further detail at your convenience, to perform any study of these matters, or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of management, the Audit Committee, the Board of Trustees, and others within the organization, and is not intended to be, and should not be used by anyone other than these specified parties.

Andrews Hooper Pavlik PLC

Bloomfield Hills, Michigan
November 27, 2023