

Audited Financial Statements
and Other Supplementary Information



*Years Ended June 30, 2024 and 2023
with Report of Independent Auditors*

Monroe County Community College

Audited Financial Statements
and Other Supplementary Information

Years Ended June 30, 2024 and 2023

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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 years ended June 30, 2024 and 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, 2024 and 2023, and the changes in its financial position, and, where applicable, cash flows thereof, for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the discretely presented component unit, The Foundation at Monroe County Community College, which represents 10 percent, 17 percent, and 4 percent, respectively, of the assets, net position, and revenues of the College as of June 30, 2024 and 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 audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

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 auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 7, 2024 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 Paulik PLC

Bloomfield Hills, Michigan
November 7, 2024

Management's Discussion and Analysis

Monroe County Community College

Management's Discussion and Analysis

June 30, 2024

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 Financial 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, deferred outflows and inflows of resources, 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.

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. Also included on the Statement of Net Position are deferred outflows and inflows of resources, which represent the consumption and acquisition, respectively, of net position that applies to future periods.

Monroe County Community College

Management's Discussion and Analysis

June 30, 2024

The Statement of Net Position (continued)

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Assets			
Current assets	\$ 41,851	\$ 32,368	\$ 26,989
Endowed assets	198	190	190
Capital assets, net of depreciation and amortization	71,332	72,194	71,058
Total assets	<u>113,381</u>	<u>104,752</u>	<u>98,237</u>
Deferred outflows of resources – pension	9,350	11,812	5,470
Deferred outflows of resources – OPEB	2,083	2,886	2,128
Liabilities			
Current liabilities	5,782	5,021	5,139
Debt obligations	7,680	8,813	9,907
Lease commitments	5	45	75
Net pension liability	32,312	40,010	27,784
Net OPEB liability	(574)	2,222	1,723
Total liabilities	<u>45,205</u>	<u>56,111</u>	<u>44,628</u>
Deferred inflows of resources – pension	8,988	6,478	12,733
Deferred inflows of resources – OPEB	5,319	5,538	7,355
Net position			
Invested in capital assets, net of related debt	62,492	62,212	59,947
Restricted – expendable	74	75	89
Restricted – nonexpendable	178	178	178
Unrestricted (deficit)	2,558	(11,142)	(19,095)
Total net position	<u>\$ 65,302</u>	<u>\$ 51,323</u>	<u>\$ 41,119</u>

The College's financial position remains strong as of June 30, 2024 with assets totaling \$113.4 million and current liabilities of \$5.8 million. Total net position increased from \$51.3 million to \$65.3 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 \$9.5 million while current liabilities increased \$0.8 million. The amount of working capital designated to cover operating expenses increased from \$17.4 million in 2023 to \$22.5 million in 2024.

Monroe County Community College

Management's Discussion and Analysis

June 30, 2024

The Statement of Net Position (continued)

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), \$31.9 million, which is the total of the net pension liability and related deferred inflows and outflows of resources as of June 30, 2024.

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), \$2.7 million, which is the total of the net OPEB liability and related deferred inflows and outflows of resources as of June 30, 2024.

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, other 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). Other revenues include state capital appropriations.

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 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):

	2024	2023	2022
Operating revenue			
Tuition and fees, net of allowances	\$ 6,987	\$ 6,493	\$ 6,277
Grants and contracts	1,925	2,170	1,365
Auxiliary activities, net of allowances	4	(11)	(21)
Other sources	1,072	439	352
Total operating revenue	9,988	9,091	7,973
Operating expense	31,965	31,346	32,851
Operating loss	(21,977)	(22,255)	(24,878)

Monroe County Community College

Management’s Discussion and Analysis

June 30, 2024

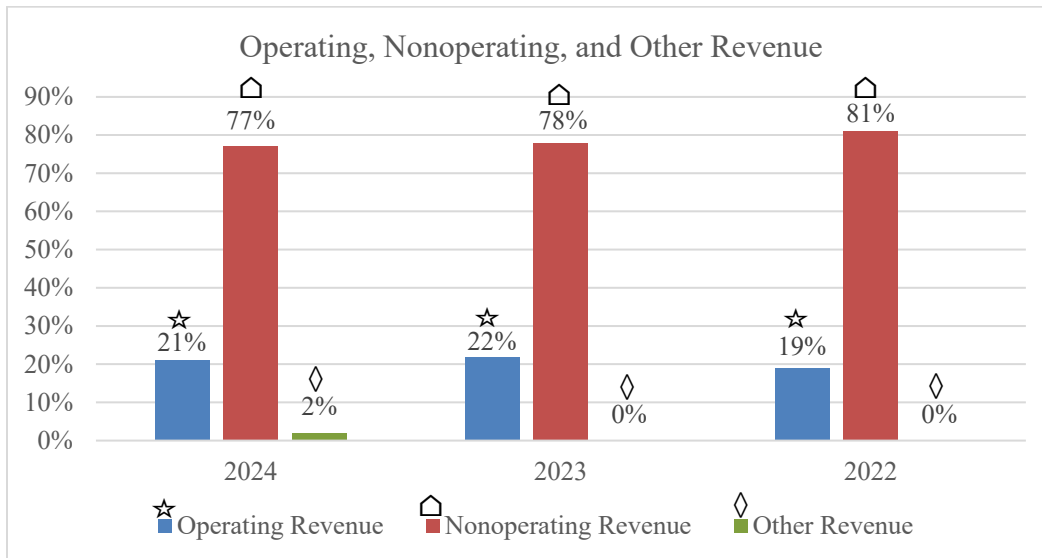
The Statement of Revenues, Expenses, and Changes in Net Position (continued)

(continued from previous page)

	2024	2023	2022
Nonoperating revenue (expense)			
State appropriations	\$ 9,432	\$ 7,949	\$ 7,501
Property tax levy	22,344	20,473	19,779
Federal Pell grant revenue	2,763	2,436	2,402
Federal HEERF grant revenue	-	1,094	5,310
Investment income	906	384	6
Gifts	359	502	507
Interest on capital assets – related debt	(334)	(374)	(413)
Loss on disposal of assets	(275)	(5)	(2)
Total nonoperating revenue (expense)	35,195	32,459	35,090
Other revenue			
State capital appropriations	761	-	-
Change in net position	13,979	10,204	10,212
Net position at beginning of year	51,323	41,119	30,907
Net position at end of year	\$ 65,302	\$ 51,323	\$ 41,119

Revenues by Source

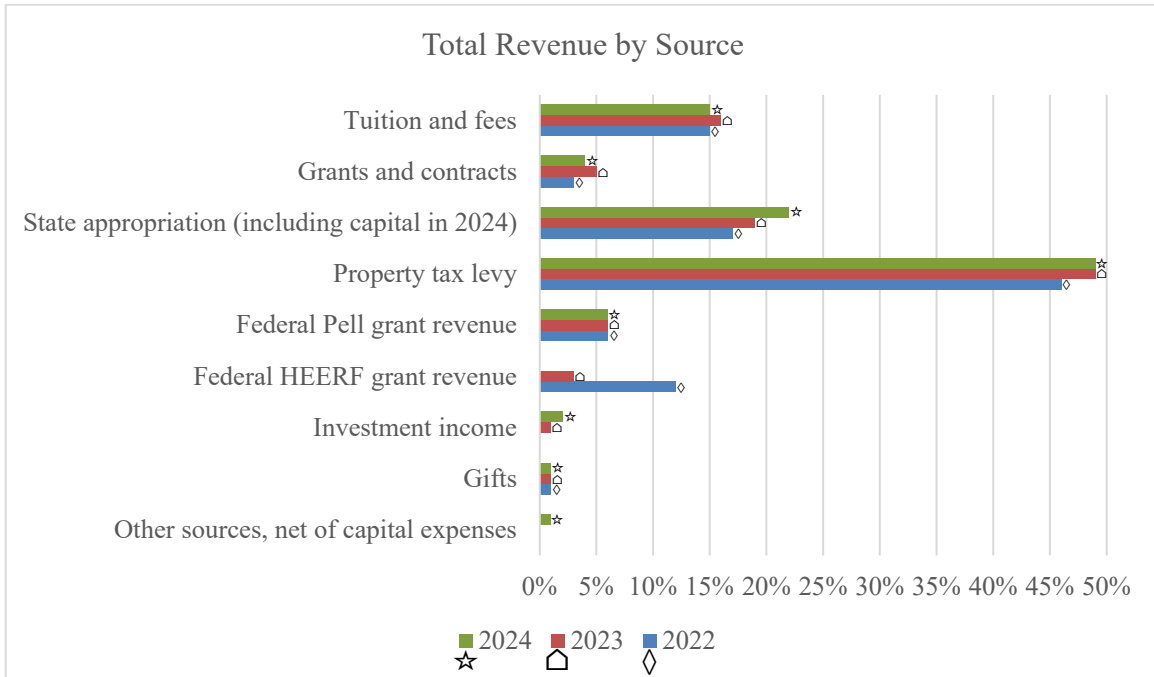
The following are a comparison of operating, non-operating, and other revenue and an illustration of the percentage of total revenue by source for the year ended June 30:



Monroe County Community College
 Management's Discussion and Analysis

June 30, 2024

Revenues by Source (continued)



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 increased 10% or \$0.9 million for the year ended June 30, 2024, which is the result of the following:

- Student tuition and fee revenue increased by \$0.5 million in comparison to the prior year due to increased contact billable hours and a 4% increase in per credit hour rates.
- Other sources revenue increased by \$0.6 million in comparison to the prior year due to revenues received in relation to the D3C3 retention grant.

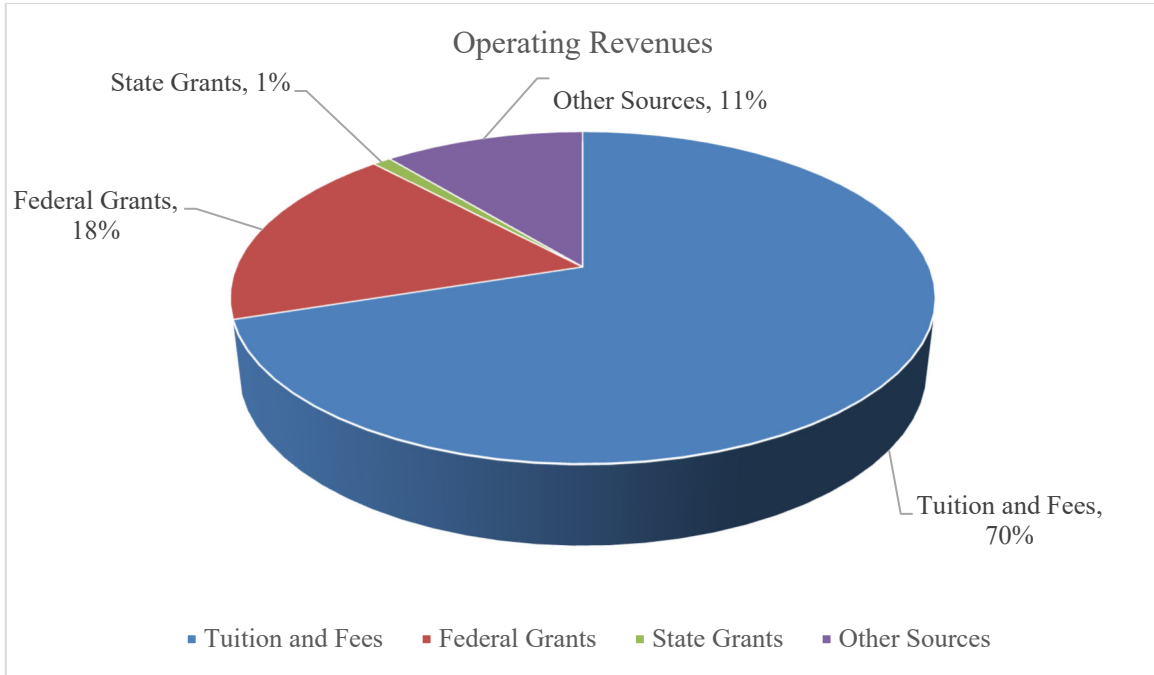
Monroe County Community College

Management's Discussion and Analysis

June 30, 2024

Operating Revenues (continued)

The following is a graphic illustration of operating revenues by source for the year ended June 30, 2024:



Operating Expenses

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

Operating expense increased \$0.6 million for the year ended June 30, 2024, which was a result of the following:

- Student services increased \$0.7 million as a result of increases in Pell scholarships and a full years wages and related payroll benefits related to the D3C3 grant compared to the half of year last year.
- Institutional administration decreased \$1.0 million as a result of the HEERF funding expensed in the prior year while there was no HEERF expenditures during the current year.
- Operation and maintenance of plant increased \$0.7 million as a result of increases in utility costs and additional cost for repair and maintenance items around campus.

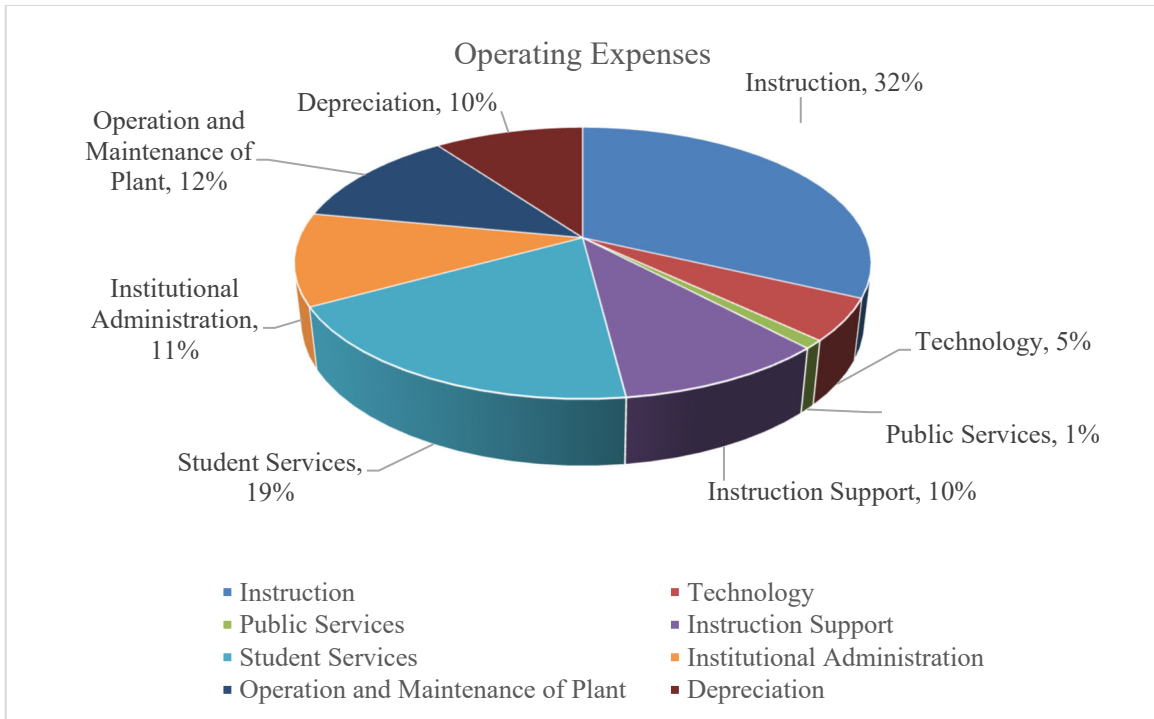
Monroe County Community College

Management's Discussion and Analysis

June 30, 2024

Operating Expenses (continued)

The following is a graphic illustration of operating expenses by source for the year ended June 30, 2024:



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 increased 8% or \$2.7 million for the year ended June 30, 2024, which was a result of the following:

- State appropriations increased \$1.5 million from the prior year. The appropriations include \$2.8 million for the Michigan Public Schools Employee Retirement System (MPERS) Unfunded Actuarial Accrued Liability (UAAL) 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 \$2.8 million amount is paid back to the state to cover retirement costs. This is a \$1.1 million increase compared to the UAAL for the year ended June 30, 2023.
- Property taxes increased \$1.9 million from the prior year due to increased property values.

Monroe County Community College

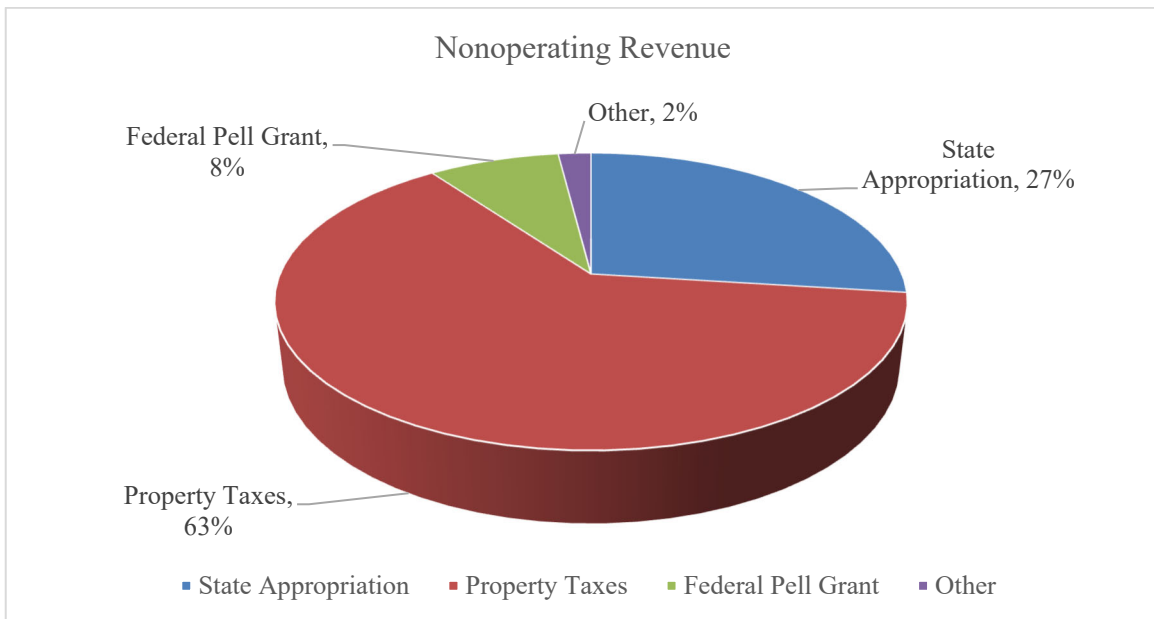
Management's Discussion and Analysis

June 30, 2024

Nonoperating Revenues (continued)

- Federal HEERF grant revenue decreased \$1.1 million from the prior year as a result of the HEERF program being closed out in the prior year.
- Investment income increased \$0.5 million as a result of increased interest rates in fiscal year 2024 compared to fiscal year 2023.

The following is a graphic illustration of nonoperating revenues by source for the year ended June 30, 2024:



Other Revenue

Other revenue for the year ended June 30, 2024 consisted of state capital appropriations. These appropriations will be used for updates to information technology, equipment, and maintenance.

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, and its need for external financing.

Monroe County Community College

Management's Discussion and Analysis

June 30, 2024

Statement of Cash Flows (continued)

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

	2024	2023	2022
Net cash provided by (used in):			
Operating activities	\$ (23,285)	\$ (20,785)	\$ (24,166)
Noncapital financing activities	35,315	31,715	37,254
Capital and related financing activities	(3,158)	(6,382)	(13,642)
Investing activities	891	379	5
Net increase (decrease) in cash and cash equivalents	\$ 9,763	\$ 4,927	\$ (549)

The College had a net increase in cash and cash equivalents of \$9.8 million for the year ended June 30, 2024 compared to the June 30, 2023 increase of \$4.9 million. Items accounting for the majority of the changes in cash and cash equivalents are as follows:

- Cash used in operating activities increased \$2.5 million compared to 2023. The increase in 2024 was due to an increase in cash paid to suppliers of \$3.0 million primarily related to the pension and OPEB liability and related deferred inflow and outflow of resources changes from 2023, and a decrease in cash received of \$0.5 million related to the changes in grants receivable and unearned revenue from 2023 to 2024. These changes were offset by a increase in cash received of \$1.0 million primarily related to \$0.9 million of D3C3 retention grant revenue received in the current year.
- Cash provided by noncapital financing activities increased \$3.6 million compared to 2023 and is a result of an increase in state appropriations of \$1.5 million, property taxes of \$1.9 million, and Pell grant revenues of \$0.3 million.
- Cash used for capital and related financing activities decreased \$3.2 million compared to 2023 and is a result of a decrease in capital projects during the year compared to the prior year. There was a \$2.4 million decrease in cash used for capital purchases, increased proceeds received of \$1.1 million for capital disposals, and \$0.8 million of state capital appropriations received in the current year that was not received in 2023.
- Cash provided by investing activities increased \$0.5 million due to higher interest rates and higher average balances of cash and investment holding during 2024 compared to 2023.

Monroe County Community College

Management's Discussion and Analysis

June 30, 2024

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):

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Land	\$ 1,518	\$ 1,518	\$ 1,518
Construction in progress	1,976	600	9,093
Building and site improvement	107,581	106,640	94,336
Equipment	9,790	10,400	10,169
Intangible right-to-use assets	102	219	280
Accumulated depreciation and amortization	(49,635)	(47,183)	(44,338)
Total capital assets	<u>\$ 71,332</u>	<u>\$ 72,194</u>	<u>\$ 71,058</u>

The College has \$120.9 million invested in capital assets, net of accumulated depreciation and amortization of \$49.6 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 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, 2024 is \$8.8 million.

Economic Factors That Will Affect the Future

DTE Energy and the City of Monroe have settled on a step-down reduction of the taxable values 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 percent between 2018 and 2025. The agreement results in general fund revenue losses each year as the taxable value of the plant is reduced 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 also 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, in both the General Fund and Maintenance and Replacement Fund. The College is evaluating operational impacts should the taxable value be adjusted.

Monroe County Community College

Management's Discussion and Analysis

June 30, 2024

Economic Factors That Will Affect the Future (continued)

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 5.71% increase in property taxes values for the 2024-2025 fiscal year, without accounting for the adjustments to DTE's taxable value of its Monroe Power Plant mentioned above.

The College completed a major geothermal heating, ventilating and air conditioning (HVAC) project, in 2019, which continues to provide energy savings that is being used towards the annual \$1,436,119 loan payments through 2031.

The College saw a slight decline in enrollment for the 2023-2024 fiscal year. However, the contact billable hours increased slightly. Due to state funding programs such as Michigan Reconnect and Futures for Frontliners, it is anticipated that enrollment will experience an increase for 2024-2025. The Board of Trustees approved to increase tuition rates 4% for the 2024-2025 year. The Board of Trustees has the authority to increase tuition rates to offset rising costs, but are also mindful of the impact that tuition increases have on our students. They will continue to monitor costs and enrollment trends as they strive to keep increases in tuition to a minimum.

The College is in year four of its maintenance and improvement millage. This millage expires November 2025, and the College will be asking the voters for a renewal. This is the second renewal of the millage since 2016, and is a zero-increase to the current millage rate. When approved, the College will continue with Phase 3 projects funded by the millage. These projects include updating the student services and learning environments, safety, accessibility, efficiency, and deferred maintenance. A full list can be found on the college website or by using the following link:

[Zero-Increase Maintenance and Replacement Millage Renewal: Nov. 5, 2024 | Monroe County Community College](#)

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	
	2024	2023
Assets		
Current assets:		
Cash and cash equivalents - Note 2	\$ 37,084,082	\$ 27,320,932
Short-term investments - Note 2	256,345	250,677
Property taxes receivable, net of allowance of \$25,540 (\$25,540 in 2023)	66,983	95,647
State appropriation receivable	1,433,345	1,275,981
Interest receivable	5,532	4,474
Accounts receivable, net of allowance \$266,588 (\$381,411 in 2023)	2,005,363	2,857,558
Inventories	58,817	54,949
Prepaid expenses and other assets	940,825	508,143
Total current assets	41,851,292	32,368,361
Noncurrent assets:		
Restricted investments - Note 2	198,090	189,834
Property and equipment, net of accumulated depreciation and amortization) - Note 4	71,332,067	72,194,344
Total noncurrent assets	71,530,157	72,384,178
Total assets	113,381,449	104,752,539
Deferred outflows of resources		
Deferred pension amounts - Note 6	9,349,356	11,812,017
Deferred OPEB amounts - Note 7	2,083,263	2,886,305
Total deferred outflows of resources	11,432,619	14,698,322
Liabilities		
Current liabilities:		
Accounts payable	941,100	670,131
Accrued payroll and fringes - Note 5	2,188,820	2,013,263
Deposits	205,198	139,425
Unearned revenue - Note 1	1,292,319	1,073,750
Current portion of debt obligations - Note 10	1,133,052	1,093,899
Current portion of lease commitments - Note 11	21,415	30,084
Total current liabilities	5,781,904	5,020,552
Noncurrent liabilities:		
Debt obligations, net of current portion - Note 10	7,679,884	8,812,936
Lease commitments, net of current portion - Note 11	5,450	45,324
Net pension liability - Note 6	32,311,785	40,009,855
Net OPEB liability - Note 7	(574,015)	2,222,218
Total noncurrent liabilities	39,423,104	51,090,333
Total liabilities	45,205,008	56,110,885
Deferred inflows of resources		
Deferred pension amounts - Note 6	8,987,541	6,478,428
Deferred OPEB amounts - Note 7	5,319,466	5,538,424
Total deferred inflows of resource	14,307,007	12,016,852
Net position		
Investment in capital assets, net of related debt	62,492,266	62,212,101
Restricted for:		
Nonexpendable endowments	177,539	177,539
Expendable:		
Endowments, scholarships, and grants	3,474	3,474
Other	70,492	72,196
Unrestricted (deficit) - Note 1	2,558,282	(11,142,186)
Total net position	\$ 65,302,053	\$ 51,323,124

See accompanying notes.

Monroe County Community College

Statements of Revenues Expenses, and Changes in Net Position

	Year Ended June 30	
	2024	2023
Operating revenue		
Tuition and fees, net of scholarship allowance of \$2,029,995 (\$1,847,917 in 2023)	\$ 6,986,804	\$ 6,493,392
Federal grants	1,794,943	2,044,401
State grants	130,312	125,222
Auxiliary activities, net of scholarship allowance of \$266,635 (\$251,422 in 2023)	4,071	(11,279)
Other sources	1,071,900	439,203
Total operating revenue	9,988,030	9,090,939
Operating expense		
Instruction	10,144,324	10,265,435
Information technology	1,643,521	1,691,835
Public services	371,881	293,075
Instructional support	3,130,646	2,964,076
Student services	6,068,814	5,397,616
Institutional administration	3,674,044	4,673,056
Operation and maintenance of plant	3,697,539	2,994,603
Depreciation and amortization	3,234,601	3,066,689
Total operating expense	31,965,370	31,346,385
Operating loss	(21,977,340)	(22,255,446)
Nonoperating revenue (expense)		
State appropriations	9,432,302	7,948,713
Property tax levy	22,344,140	20,473,158
Federal Pell grant revenue	2,762,666	2,436,027
Federal HEERF grant revenue	-	1,094,563
Investment income	905,832	383,580
Gifts	358,515	502,431
Interest on capital assets - related debt	(333,606)	(373,889)
Loss on disposal of assets	(274,680)	(4,916)
Net nonoperating revenue (expense)	35,195,169	32,459,667
Other revenue		
State capital appropriations	761,100	-
Total other revenue	761,100	-
Change in net position	13,978,929	10,204,221
Net position at beginning of year	51,323,124	41,118,903
Net position at end of year	\$ 65,302,053	\$ 51,323,124

See accompanying notes.

Monroe County Community College

Statements of Cash Flows

	Year Ended June 30	
	2024	2023
Cash flows from operating activities		
Tuition and fees	\$ 6,843,020	\$ 6,308,858
Grants and contracts	2,308,194	2,810,327
Payments to suppliers	(18,251,180)	(15,253,121)
Payments to employees	(15,716,096)	(15,236,223)
Auxiliary enterprise charges	(15,643)	(8,304)
Other	1,546,545	593,311
Net cash used in operating activities	<u>(23,285,160)</u>	<u>(20,785,152)</u>
Cash flows from noncapital financing activities		
State appropriations	9,274,938	7,909,620
Property tax levy	22,372,804	20,419,787
Federal Pell grant revenue	2,719,937	2,401,000
Federal HEERF grant revenue	532,978	561,585
Federal direct lending receipts	2,524,834	2,921,363
Federal direct lending payments	(2,468,847)	(3,000,511)
Gifts and contributions for other than capital purposes	358,515	502,431
Net cash provided by noncapital financing activities	<u>35,315,159</u>	<u>31,715,275</u>
Cash flows from capital and related financing activities		
Proceeds from capital appropriations	761,100	-
Purchase of capital assets	(2,433,049)	(4,872,536)
Proceeds from disposal of capital assets	-	3,285
Principal debt and lease payments	(1,142,442)	(1,129,113)
Interest paid on capital debt	(343,308)	(383,256)
Net cash used in capital and related financing activities	<u>(3,157,699)</u>	<u>(6,381,620)</u>
Cash flows from investing activities		
Proceeds from sales and maturities of investment	256,345	440,511
Investment income	904,774	378,680
Purchase of investments	(270,269)	(440,511)
Net cash provided by investing activities	<u>890,850</u>	<u>378,680</u>
Net increase in cash and cash equivalents	9,763,150	4,927,183
Cash and cash equivalents at beginning of year	27,320,932	22,393,749
Cash and cash equivalents at end of year	<u>\$ 37,084,082</u>	<u>\$ 27,320,932</u>

See accompanying notes.

Monroe County Community College

Statements of Cash Flows

	Year Ended June 30	
	2024	2023
Reconciliation of net operating loss to net cash used in operating activities:		
Operating loss	\$ (21,977,340)	\$ (22,255,446)
Adjustment to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	3,234,601	3,066,689
Allowance for uncollectable accounts	(114,823)	(25,681)
(Increase) decrease in assets:		
Accounts receivable	420,782	(83,166)
Inventories	(3,868)	(5,391)
Prepaid expenses and other assets	(432,682)	406,484
Increase (decrease) in liabilities:		
Accounts payable	66,716	391,106
Accrued payroll and fringes	175,557	(558,357)
Deposits	65,773	39,773
Unearned revenue	218,569	685,199
Net pension and OPEB liability and related accounts	(4,938,445)	(2,446,362)
Net cash used in operating activities	<u>\$ (23,285,160)</u>	<u>\$ (20,785,152)</u>

The Foundation at Monroe County Community College

Statements of Financial Position

	June 30	
	2024	2023
Assets		
Cash and cash equivalents - Note 2	\$ 1,084,666	\$ 1,054,314
Unconditional promises to give:		
Without restriction	1,090	-
Restricted for scholarships	2,255	1,455
Restricted other, net of allowance \$3,750 (\$2,500 in 2023)	145,850	105,010
Total unconditional promises to give	<u>149,195</u>	<u>106,465</u>
Total current assets	1,233,861	1,160,779
Brokerage investments, at market value:		
Endowment investments - Note 2 and 17	6,695,935	5,817,633
Endowment investments Cultural - Note 2 and 17	3,119,595	2,784,302
Total brokerage investments, at market value	<u>9,815,530</u>	<u>8,601,935</u>
Long-term unconditional promises to give:		
Restricted other, net of allowance \$16,250 (\$15,000 in 2023)	454,250	539,500
Total assets	<u>\$ 11,503,641</u>	<u>\$ 10,302,214</u>
Liabilities		
Accounts payable	\$ 96,046	\$ 49,387
Total current liabilities	<u>96,046</u>	<u>49,387</u>
Net assets		
Net assets, without restrictions - Note 1	712,884	574,399
Net assets, with restrictions - Note 1	10,694,711	9,678,428
Total net assets	<u>11,407,595</u>	<u>10,252,827</u>
Total liabilities and net assets	<u>\$ 11,503,641</u>	<u>\$ 10,302,214</u>

The Foundation at Monroe County Community College

Statements of Activities

	Year Ended June 30	
	2024	2023
Revenues, gains, and other support		
Contributions	\$ 351,135	\$ 343,460
Contributions - in kind	-	17,500
Special events	17,446	24,074
Donated administrative support	343,350	336,400
Net investment income	1,226,517	778,868
Total revenues, gains, and other support	<u>1,938,448</u>	<u>1,500,302</u>
Expenses		
Scholarships	239,326	239,226
Grants	193,690	313,961
Fundraising	1,466	1,714
Donated administrative expenses	343,350	336,400
Other	5,848	2,252
Total expenses	<u>783,680</u>	<u>893,553</u>
Change in net assets	1,154,768	606,749
Net assets at beginning of year	10,252,827	9,646,078
Net assets at end of year	<u>\$ 11,407,595</u>	<u>\$ 10,252,827</u>

Monroe County Community College

Notes to Financial Statements

June 30, 2024

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 accounting principles generally accepted in the United States of America (GAAP), 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 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.

Monroe County Community College

Notes to Financial Statements

June 30, 2024

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, 2024 and 2023. 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.

Monroe County Community College

Notes to Financial Statements

June 30, 2024

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:

	<u>2024</u>	<u>2023</u>
Grants:		
D3C3 Retention	\$ 885,517	\$ 760,579
Other grants	180,629	84,736
Tuition:		
Summer semester	226,173	212,939
Fall semester	-	15,496
Total unearned revenue	<u>\$ 1,292,319</u>	<u>\$ 1,073,750</u>

Monroe County Community College

Notes to Financial Statements

June 30, 2024

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

Significant Accounting Policies (continued)

Pension and Other Postemployment Benefit (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 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.

Monroe County Community College

Notes to Financial Statements

June 30, 2024

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

Significant Accounting Policies (continued)

Restricted Net Position and Net Assets With Restriction

The College's permanently restricted net position of \$177,539 for the year ended June 30, 2024 and 2023, 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:

	2024	2023
Scholarships:		
Held under endowment	\$ 6,555,532	\$ 5,693,938
Available	276,004	341,964
	6,831,536	6,035,902
Cultural enrichment and other:		
Held under endowment	2,842,489	2,511,530
Available	821,686	767,436
	3,664,175	3,278,966
Capital projects	199,000	363,560
Total net assets with restrictions	\$ 10,694,711	\$ 9,678,428

Unrestricted Net Position (Deficit) and Net Assets Without Restriction

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

	2024	2023
Designated for:		
Working capital	\$ 22,522,732	\$ 17,390,775
Pension and OPEB funds	(34,612,158)	(39,550,602)
Technology equipment	1,802,488	1,679,896
Auxiliary activities	1,271,094	1,415,885
Student loans	18,413	18,413
Quasi-endowment	148,671	139,359
Major maintenance and renovation	11,407,042	7,764,088
Total unrestricted net position (deficit)	\$ 2,558,282	\$ (11,142,186)

Monroe County Community College

Notes to Financial Statements

June 30, 2024

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

Significant Accounting Policies (continued)

Unrestricted Net Position (Deficit) and Net Assets Without Restriction (continued)

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

	<u>2024</u>	<u>2023</u>
Designated	\$ 471,508	\$ 428,529
Undesignated	241,376	145,870
Total net assets without restrictions	<u>\$ 712,884</u>	<u>\$ 574,399</u>

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 or other revenue.

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.

Monroe County Community College

Notes to Financial Statements

June 30, 2024

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 was 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. There was no HEERF grant revenue recognized for the year ended June 30, 2024.

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:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 37,084,082	\$ 27,320,932
Short-term investments	256,345	250,677
Restricted investment	198,090	189,834
Total cash and cash equivalents and investments	<u>\$ 37,538,517</u>	<u>\$ 27,761,443</u>

Monroe County Community College

Notes to Financial Statements

June 30, 2024

2. Cash and Cash Equivalents and Investments (continued)

College (continued)

The balances above are comprised of \$37,536,929 as of June 30, 2024 and \$27,759,805 as of June 30, 2023 of bank deposits (checking accounts, savings accounts, and certificates of deposit) and \$1,588 as of June 30, 2024 and \$1,638 as of June 30, 2023 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 \$37,717,680 as of June 30, 2024 and \$28,153,007 as of June 30, 2023. Of that amount, \$698,099 as of June 30, 2024 and \$689,834 as of June 30, 2023 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 Federal Deposit Insurance Corporation (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.

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.

Monroe County Community College

Notes to Financial Statements

June 30, 2024

2. Cash and Cash Equivalents and Investments (continued)

College (continued)

Investments (continued)

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:

	2024	2023
PNC Bank	98.8%	98.4%
Flagstar	.5	.7
First Merchants Bank	.7	.9
Total	100.0%	100.0%

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.

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:

	2024	2023
Cash and cash equivalents	\$ 1,084,666	\$ 1,054,314
Endowment investments	6,695,935	5,817,633
Endowment investments Cultural	3,119,595	2,784,302
Total cash and cash equivalents and investments	\$ 10,900,196	\$ 9,656,249

Bank Deposits

At times throughout the year, the Foundation may maintain certain bank accounts in excess of the 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.

Monroe County Community College

Notes to Financial Statements

June 30, 2024

2. Cash and Cash Equivalents and Investments (continued)

Foundation (continued)

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:

	<u>2024</u>	<u>2023</u>
Money market	\$ 698,191	\$ 592,713
Individual securities:		
Corporate stocks	1,328,046	276,194
Mutual funds:		
Equity funds	3,315,657	2,945,142
Fixed income funds	2,146,368	1,663,048
Total mutual funds	<u>5,462,025</u>	<u>4,608,190</u>
Exchange traded funds:		
Equity funds	1,494,123	2,062,602
Fixed income funds	833,145	820,240
REIT	-	241,996
Total exchange traded funds	<u>2,327,268</u>	<u>3,124,838</u>
Total brokerage investments	<u>\$ 9,815,530</u>	<u>\$ 8,601,935</u>

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.

Monroe County Community College

Notes to Financial Statements

June 30, 2024

3. Fair Value Measurements (continued)

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	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2024				
Bank certificates of deposits	\$ 454,435	\$ 454,435	\$ -	\$ -
2023				
Bank certificates of deposits	\$ 440,511	\$ 440,511	\$ -	\$ -

The fair value of the bank certificates of deposits at June 30, 2024 and 2023, was determined primarily on Level 1 inputs. The College records the fair value of these investments using the cost-plus interest incrementally earned.

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

	Fair Value	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
2024				
Money market	\$ 698,191	\$ 698,191	\$ -	\$ -
Corporate stocks	1,328,046	1,328,046	-	-
Equity funds	4,809,780	4,809,780	-	-
Fixed income funds	2,979,513	2,979,513	-	-
Total brokerage investments	\$ 9,815,530	\$ 9,815,530	\$ -	\$ -
2023				
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	\$ -	\$ -

Monroe County Community College

Notes to Financial Statements

June 30, 2024

3. Fair Value Measurements (continued)

The fair value of money market accounts at June 30, 2024 and 2023, 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, 2024 and 2023, 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, 2024 and 2023, 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 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, 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
2024					
Nondepreciable capital assets:					
Land	\$ 1,517,910	\$ -	\$ -	\$ -	\$ 1,517,910
Construction in progress	600,239	2,414,340	31,598	(1,006,832)	1,976,149
Total nondepreciable capital assets	2,118,149	2,414,340	31,598	(1,006,832)	3,494,059

Monroe County Community College

Notes to Financial Statements

June 30, 2024

4. Property and Equipment (continued)

(continued from previous page)

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Depreciable capital assets:					
Land improvements	\$ 3,823,379	\$ -	\$ -	\$ -	\$ 3,823,379
Building and improvements	98,522,958	-	-	663,594	99,186,552
Infrastructure	4,293,368	-	-	277,448	4,570,816
Furniture, fixtures, and equipment	10,400,051	232,664	908,004	65,790	9,790,501
Total depreciable capital assets	117,039,756	232,664	908,004	1,006,832	117,371,248
Total capital assets	119,157,905	2,647,004	939,602	-	120,865,307
Less accumulated depreciation:					
Land improvements	2,423,060	164,676	-	-	2,587,736
Building and improvements	36,494,581	2,308,830	-	-	38,803,411
Infrastructure	2,292,525	100,466	-	-	2,392,991
Furniture, fixtures, and equipment	5,817,696	640,238	683,343	-	5,774,591
Total accumulated depreciation	47,027,862	3,214,210	683,343	-	49,558,729
Intangible right-to-use assets:					
Right-to-use asset – leased equipment	218,843	-	116,889	-	101,954
Less accumulated amortization	154,542	20,391	98,468	-	76,465
Net intangible right-to-use assets	64,301	(20,391)	18,421	-	25,489
Total capital assets, net	\$ 72,194,344	\$ (587,597)	\$ 274,680	\$ -	\$ 71,332,067

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

Monroe County Community College

Notes to Financial Statements

June 30, 2024

4. Property and Equipment (continued)

(continued from previous page)

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
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
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	<u>\$ 71,058,196</u>	<u>\$ 1,144,349</u>	<u>\$ 8,201</u>	<u>\$ -</u>	<u>\$ 72,194,344</u>

5. Accrued Payroll and Fringes

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

	2024	2023
Payroll	\$ 677,053	\$ 613,691
Accrued vacation	460,768	413,222
Pension plan	349,562	310,364
Other retirement and fringes	701,437	675,986
Total accrued payroll and fringes	<u>\$ 2,188,820</u>	<u>\$ 2,013,263</u>

6. Defined Benefit Pension Plans and Postemployment Benefits

Plan Description

The College contributes to MPERS (System), 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

Monroe County Community College

Notes to Financial Statements

June 30, 2024

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

Plan Description (continued)

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.

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.

Monroe County Community College

Notes to Financial Statements

June 30, 2024

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

Contributions (continued)

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, 2022 valuation will be amortized over a 16-year period beginning October 1, 2022 and ending September 30, 2038.

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

Benefit Structure	2023		2022	
	Member	Employer	Member	Employer
Basic	0.00 – 4.00%	20.16%	0.00 – 4.00%	20.14%
Member Investment Plan	3.00 – 7.00%	20.16%	3.00 – 7.00%	20.14%
Pension Plus	3.00 – 6.40%	17.24%	3.00 – 6.40%	17.22%
Pension Plus 2	6.20%	19.95%	6.20%	19.93%
Defined Contribution	0.00%	13.75%	0.00%	13.73%

The College's required contribution to the plan for the year ended June 30, 2024 was \$3,598,067 and \$3,620,889 for the year ended June 30, 2023. In addition, the College recognized Section 147(c)(1) payments allocable to the pension contribution of \$2,762,171 for the year ended June 30, 2024 and \$1,694,140 for the year ended June 30, 2023 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, 2024, the College reported a liability of \$32,311,785 and \$40,009,855 as of June 30, 2023, for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2023 and 2022, respectively, and the total pension liability used to calculate the net pension liability was determined by actuarial valuation rolled-forward from September 30, 2022 and 2021, 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

Monroe County Community College

Notes to Financial Statements

June 30, 2024

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)

September 30, 2023, the College's proportion was 0.09983%, which was a decrease of 0.00655% from its proportion measured as of September 30, 2022. 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.

For the year ended June 30, 2024, the College recognized pension expense of \$2,240,256 and \$3,331,430 for the year ended June 30, 2023.

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

	2024		2023	
	Deferred Outflows of Resources	Deferred (Inflows) of Resources	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between actual and expected experience	\$ 1,019,984	\$ (49,497)	\$ 400,238	\$ (89,458)
Net differences between projected and actual plan investment earnings	-	(661,204)	93,823	-
Changes of assumptions	4,378,394	(2,524,482)	6,875,127	-
Changes in proportion and differences between the College's contributions and proportionate share of contributions	29,856	(3,829,761)	2,971	(3,626,799)
Sec147c state aid award subsequent to the measurement date	-	(1,922,597)	-	(2,762,171)
The College's contributions subsequent to the measurement date	3,921,122	-	4,439,858	-
	\$ 9,349,356	\$ (8,987,541)	\$ 11,812,017	\$ (6,478,428)

Deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date of \$3,921,122 at June 30, 2024 and \$4,439,858 at June 30, 2023 will be recognized as a reduction of the net pension liability in the years ending June 30, 2025 and 2024, respectively. Deferred inflows of resources resulting from Sec147c state aid award subsequent to the measurement date of \$1,922,597 at June 30, 2024 and \$2,762,171 at June 30, 2023 will be recognized as state appropriation revenue in the years ending June 30, 2025 and 2024, respectively.

Monroe County Community College

Notes to Financial Statements

June 30, 2024

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)

Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense at June 30 as follows:

	<u>2024</u>	<u>2023</u>
2024	\$ -	\$ 742,390
2025	(857,711)	426,721
2026	(791,906)	478,584
2027	677,992	2,008,207
2028	(665,085)	-
	<u>\$ (1,636,710)</u>	<u>\$ 3,655,902</u>

Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial 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, 2022

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

Monroe County Community College

Notes to Financial Statements

June 30, 2024

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

Actuarial Assumptions (continued)

Mortality:

Retirees	PubT-2010 Male and Female Retiree Mortality Tables, scaled by 116% for males and females and adjusted for mortality improvements using projection scale MP-2021 from 2010.
Active	PubT-2010 Male and Female Employee Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.

Assumption changes as a result of an experience study for the period 2017 through 2022 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2023 valuation. The total pension liability as of September 30, 2023 and 2022, is based on the results of an actuarial valuation date of September 30, 2022 and 2021, respectively, 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 and was 4.4406 as of September 30, 2023 and 4.3922 as of September 30, 2022.

Recognition period for assets in years was 5.0000 as of September 30, 2023 and 2022.

Full actuarial assumptions are available in the 2023 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.

Monroe County Community College

Notes to Financial Statements

June 30, 2024

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

Long-Term Expected Rate of Return on Plan Assets (continued)

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	2023		2022	
	Target Allocation	Long-term Expected Real Rate of Return*	Target Allocation	Long-term Expected Real Rate of Return*
Domestic Equity Pools	25.00%	5.8%	25.00%	5.1%
Private Equity Pools	16.00%	9.6%	16.00%	8.7%
International Equity Pools	15.00%	6.8%	15.00%	6.7%
Fixed Income Pools	13.00%	1.3%	13.00%	(0.2)%
Real Estate and Infrastructure Pools	10.00%	6.4%	10.00%	5.3%
Absolute Return Pools	9.00%	4.8%	9.00%	2.7%
Real Return/Oppportunistic Pools	10.00%	7.3%	10.00%	5.8%
Short Term Investment Pools	2.00%	0.3%	2.00%	(0.5)%
	<u>100.00%</u>		<u>100.00%</u>	

*Long-term rates of return are net of administrative expenses and 2.70% inflation as of September 30, 2023 and 2.20% inflation as of September 30, 2022.

Rate of Return

The annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 8.29% for the fiscal year ended September 30, 2023 and (4.18)% for the fiscal year ended September 30, 2022. 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, 2023 and 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, 2023 and 2022, respectively. 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

Monroe County Community College

Notes to Financial Statements

June 30, 2024

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

Discount Rate (continued)

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 (5.00%)	Discount Rate (6.00%)	1% Increase (7.00%)
2024	\$ 43,653,127	\$ 32,311,785	\$ 22,869,708
2023	\$ 52,798,145	\$ 40,009,855	\$ 29,471,729

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 \$89,630 as of June 30, 2024 and \$82,450 as of June 30, 2023. 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

Monroe County Community College

Notes to Financial Statements

June 30, 2024

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

Optional Defined Contribution Plan (continued)

plan. The average contribution percentages for the participants were approximately 5.12% for the year ended June 30, 2024 and 5.29% for the year ended June 30, 2023. Total covered payroll and College contributions were approximately \$4.5 million and \$.8 million, respectively, for the year ended June 30, 2024 and approximately \$4.3 million and \$.8 million, respectively, for the year ended June 30, 2023. During fiscal year 2018, the contribution percentages for the College and the participants were capped at 12% and 4%, respectively, for new plan members.

7. Postemployment Benefits Other Than Pensions

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.

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

Monroe County Community College

Notes to Financial Statements

June 30, 2024

7. Postemployment Benefits Other Than Pensions (continued)

Benefits Provided (continued)

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.

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

Monroe County Community College

Notes to Financial Statements

June 30, 2024

7. Postemployment Benefits Other Than Pensions (continued)

Contributions (continued)

actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2022 valuation will be amortized over a 16-year period beginning October 1, 2022 and ending September 30, 2038.

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

Benefit Structure	2023		2022	
	Member	Employer	Member	Employer
Premium Subsidy	3.00%	8.07%	3.00%	8.09%
Personal Healthcare Fund (PHF)	0.00%	7.21%	0.00%	7.23%

The College's required contribution to the plan for the year ended June 30, 2024 was \$790,448 and \$799,191 for the year ended June 30, 2023.

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

As of June 30, 2024, the College reported a negative liability of \$574,015 and a positive liability of \$2,222,218 as of June 30, 2023, for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2023 and 2022, respectively, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2022 and 2021, 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, 2023, the College's proportion was 0.10147%, which was a decrease of .00345% from its proportion measured as of September 30, 2022. 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.

For the year ended June 30, 2024, the College recognized OPEB income of \$1,350,533 and \$1,232,737 for the year ended June 30, 2023.

Monroe County Community College

Notes to Financial Statements

June 30, 2024

7. Postemployment Benefits Other Than Pensions (continued)

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

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

	2024		2023	
	Deferred Outflows of Resources	Deferred (Inflows) of Resources	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between actual and expected experience	\$ -	\$ (4,337,552)	\$ -	\$ (4,352,473)
Net differences between projected and actual plan investment earnings	1,750	-	173,684	-
Changes of assumptions	1,277,858	(153,878)	1,980,734	(161,283)
Changes in proportion and differences between the College's contributions and proportionate share of contributions	8,644	(828,036)	11,949	(1,024,668)
The College's contributions subsequent to the measurement date	795,011	-	719,938	-
	\$ 2,083,263	\$ (5,319,466)	\$ 2,886,305	\$ (5,538,424)

Deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date of \$795,011 at June 30, 2024 and \$719,938 at June 30, 2023 will be recognized as a reduction of the net OPEB liability in the years ending June 30, 2025 and 2024, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense at June 30 as follows:

	2024	2023
2024	\$ -	\$ (1,164,356)
2025	(1,320,601)	(993,284)
2026	(1,209,546)	(879,954)
2027	(542,389)	(192,495)
2028	(475,609)	(125,160)
2029	(325,611)	(16,808)
2030	(157,458)	-
	\$ (4,031,214)	\$ (3,372,057)

Monroe County Community College

Notes to Financial Statements

June 30, 2024

7. Postemployment Benefits Other Than Pensions (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 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, 2022
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	6.00%
Projected Salary Increases:	2.75% to 11.55%, including wage inflation at 2.75%
Health Cost Trend Rate:	Pre-65: 7.50% Year 1 graded to 3.50% Year 15 Post-65: 6.25% Year 1 graded to 3.50% Year 15
Mortality:	
Retirees	PubT-2010 Male and Female Retiree Mortality Tables, scaled by 116% for males and females and adjusted for mortality improvements using projection scale MP-2021 from 2010.
Active	PubT-2010 Male and Female Employee Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.
Other 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.

Monroe County Community College

Notes to Financial Statements

June 30, 2024

7. Postemployment Benefits Other Than Pensions (continued)

Actuarial Assumptions (continued)

Assumption changes as a result of an experience study for the period 2017 through 2022 have been adopted by the System for use in the annual OPEB valuations beginning with the September 30, 2023 valuation. The total OPEB liability as of September 30, 2023 and 2022, is based on the results of an actuarial date of September 30, 2022 and 2021, respectively, 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 and was 6.5099 as of September 30, 2023 and 6.2250 as of September 30, 2022.

Recognition period for assets in years was 5.0000 as of September 30, 2023 and 2022.

Full actuarial assumptions are available in the 2023 MPSERS Annual Comprehensive Financial Report found on the ORS website at Michigan.gov/ORSSchools.

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, are summarized in the following table:

Asset Class	2023		2022	
	Target Allocation	Long-term Expected Real Rate of Return*	Target Allocation	Long-term Expected Real Rate of Return*
Domestic Equity Pools	25.00%	5.8%	25.00%	5.1%
Private Equity Pools	16.00%	9.6%	16.00%	8.7%
International Equity Pools	15.00%	6.8%	15.00%	6.7%
Fixed Income Pools	13.00%	1.3%	13.00%	(0.2)%
Real Estate and Infrastructure Pools	10.00%	6.4%	10.00%	5.3%
Absolute Return Pools	9.00%	4.8%	9.00%	2.7%
Real Return/Oppportunistic Pools	10.00%	7.3%	10.00%	5.8%
Short Term Investment Pools	2.00%	0.3%	2.00%	(0.5)%
	<u>100.00%</u>		<u>100.00%</u>	

Monroe County Community College

Notes to Financial Statements

June 30, 2024

7. Postemployment Benefits Other Than Pensions (continued)

Long-Term Expected Return on Plan Assets (continued)

*Long-term rates of return are net of administrative expenses and 2.70% inflation as of September 30, 2023 and 2.20% inflation as of September 30, 2022.

Rate of Return

The annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 7.94% for fiscal year September 30, 2023 and (4.99)% for fiscal year September 30, 2022. 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, 2023 and 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, 2023 and 2022, respectively. 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 (5.00%)	Discount Rate (6.00%)	1% Increase (7.00%)
2024	\$ 595,081	\$ (574,015)	\$ (1,578,739)
2023	\$ 3,727,556	\$ 2,222,218	\$ 954,536

Monroe County Community College

Notes to Financial Statements

June 30, 2024

7. Postemployment Benefits Other Than Pensions (continued)

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

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
2024	\$ (1,581,244)	\$ (574,015)	\$ 516,136
2023	\$ 930,558	\$ 2,222,218	\$ 3,672,130

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.

Payables to the OPEB Plan

The College reported a payable of \$38,738 as of June 30, 2024 and \$37,823 as of June 30, 2023. These amounts represent current payments for June paid in July.

8. Federal Direct Lending Program

The College distributed \$2,468,847 for the year ended June 30, 2024 and \$3,000,511 for the year ended June 30, 2023 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.

Monroe County Community College

Notes to Financial Statements

June 30, 2024

9. Collateralized State Bonds (continued)

The following properties are currently collateral for Michigan bonds:

<u>Property</u>	<u>Fiscal Year of Completion</u>	<u>States Original Grant</u>
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, 2022	\$3.75 million

10. Long-Term Liabilities

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

	<u>Balances July 1, 2023</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balances June 30, 2024</u>	<u>Due Within One Year</u>
2024					
Key Government Finance	\$ 4,809,119	\$ -	\$ 571,252	\$ 4,237,867	\$ 591,420
Sterling National Bank	5,097,716	-	522,647	4,575,069	541,632
Total direct borrowings and direct placements	<u>\$ 9,906,835</u>	<u>\$ -</u>	<u>\$ 1,093,899</u>	<u>\$ 8,812,936</u>	<u>\$ 1,133,052</u>
	<u>Balances July 1, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balances June 30, 2023</u>	<u>Due Within One Year</u>
2023					
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	<u>\$ 10,962,933</u>	<u>\$ -</u>	<u>\$ 1,056,098</u>	<u>\$ 9,906,835</u>	<u>\$ 1,093,899</u>

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.

Monroe County Community College

Notes to Financial Statements

June 30, 2024

10. Long-Term Liabilities (continued)

Direct Borrowings and Direct Placement (continued)

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 3.50% 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 3.60% due September 30, 2031, secured by HVAC system.

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	1,304,194	131,925	1,436,119
2030 – 2032	2,727,344	128,335	2,855,679
	<u>\$ 8,812,936</u>	<u>\$ 1,223,338</u>	<u>\$ 10,036,274</u>

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, 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, with monthly payments of \$1,825, plus additional charges for excess usage. For purposes of discounting future payments on the lease, the College used a discount rate of 2.85%.

Monroe County Community College

Notes to Financial Statements

June 30, 2024

11. Lease Commitments (continued)

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%. This lease was paid in full during the year ended June 30, 2023.

The leased equipment and accumulated amortization of the right to use assets are outlined in Note 4. Annual lease requirements as of June 30, 2024 relating to the MT Business Technologies Inc. operating lease are as follows:

Fiscal Year	Principal	Interest	Total
2025	\$ 21,415	\$ 487	\$ 21,902
2026	5,450	26	5,476
	\$ 26,865	\$ 513	\$ 27,378

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, 2024 and 2023, 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:

	2024	2023
Balance, beginning of year	\$ 150,332	\$ 141,930
Claims incurred, premiums paid and changes in estimates	2,564,347	2,584,509
Claim and premium payments	(2,560,898)	(2,576,107)
Balance, end of year	\$ 153,781	\$ 150,332

Monroe County Community College

Notes to Financial Statements

June 30, 2024

13. Property Taxes

The College received 2.1794 mills for both fiscal years 2024 and 2023 for current operations. The College also received .85 mills for both fiscal years 2024 and 2023 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 \$7.17 billion for fiscal year 2024 tax collections and \$6.78 billion for fiscal year 2023 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.

The College has a share of the reserve for future claims in the shared-risk pool of \$1,494,773 as of June 30, 2024 and \$1,315,473 as of June 30, 2023. 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.

Monroe County Community College

Notes to Financial Statements

June 30, 2024

15. Tax Abatement (continued)

For the year ended June 30, 2024, the College's property tax revenue for general operations was reduced by \$91,271 and \$121,592 for the year ended June 30, 2023, under these programs. The abatements issued by other governmental units are as follows as of June 30:

Governmental Unit	IFT	PA 328 of 1998 & La-Z-Boy RZ	Others	Total
2024				
Ash	\$ 17,646	\$ -	\$ -	\$ 17,646
Bedford	17,967	-	-	17,967
Dundee	12,612	-	-	12,612
Erie	501	-	-	501
Frenchtown	23,733	-	-	23,733
Monroe	289	-	-	289
Monroe City	14,857	-	2,974	17,831
Whiteford	692	-	-	692
	<u>\$ 88,297</u>	<u>\$ -</u>	<u>\$ 2,974</u>	<u>\$ 91,271</u>
2023				
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
	<u>\$ 87,428</u>	<u>\$ 30,944</u>	<u>\$ 3,220</u>	<u>\$ 121,592</u>

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 cooling for the entire campus. The total cost of this project was \$16.2 million. The total payments for each fiscal year through 2032 will be \$1.4 million as disclosed in Note 10.

Monroe County Community College

Notes to Financial Statements

June 30, 2024

16. Commitments, Contingencies and Capital Outlay (continued)

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. The College 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 College 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.”

Construction began on the renovation of the Campbell Learning Resources Building in fiscal year 2021. The total estimated cost of the renovation was \$11.6 million. Property tax revenue generated from the maintenance and improvement millage funded 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 the Campus Loop Road project with cost incurred to date of \$773,013, the HEB building project with cost incurred to date of \$602,950, the Student Services renovation project with costs incurred to date of \$244,063, and other projects with total cost incurred to date of \$356,123. 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:

	<u>2024</u>	<u>2023</u>
Endowment net assets, beginning of year	\$ 8,601,935	\$ 7,713,186
Contributions collected	276,280	279,546
Net investment income	1,178,773	757,204
Distributions	(241,458)	(148,001)
Endowment net asset, end of year	<u>\$ 9,815,530</u>	<u>\$ 8,601,935</u>

Monroe County Community College

Notes to Financial Statements

June 30, 2024

17. Foundation Endowments (continued)

Interpretation of Relevant Law

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.

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 Foundation's 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 4.0% 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

Monroe County Community College

Notes to Financial Statements

June 30, 2024

17. Foundation Endowments (continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy (continued)

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 \$343,350 for the year ended June 30, 2024 and \$336,400 for the year ended June 30, 2023.

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, 2024 was \$433,016 and for the year ended June 30, 2023 was \$553,187.

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
College's proportion of net pension liability	0.09983%	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	\$ 32,311,785	\$ 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	\$ 10,230,189	\$ 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	315.85%	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	65.91%	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, 2023.

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 2022-2023.

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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required pension contributions	\$ 3,598,067	\$ 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	\$ 3,598,067	\$ 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	\$ 10,776,348	\$ 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	33.39%	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, 2023.

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 2022-2023.

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

	2023	2022	2021	2020	2019	2018	2017
College's proportion of net OPEB liability	0.10147%	0.10492%	0.11290%	0.11769%	0.12287%	0.12626%	0.13219%
College's proportionate share of net OPEB liability	\$ (574,015)	\$ 2,222,218	\$ 1,723,291	\$ 6,305,203	\$ 8,819,243	\$ 10,036,686	\$ 11,705,722
College's covered payroll	\$ 10,230,189	\$ 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	(5.61)%	21.70%	16.82%	60.29%	81.93%	93.21%	108.00%
Plan fiduciary net position as a percentage of total OPEB liability	105.04%	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, 2023.

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 2022-2023.

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

	2024	2023	2022	2021	2020	2019	2018
Statutorily required OPEB contributions	\$ 790,448	\$ 799,191	\$ 838,112	\$ 831,540	\$ 843,630	\$ 819,577	\$ 1,029,126
OPEB contributions in relation to statutorily required contributions	\$ 790,448	\$ 799,191	\$ 838,112	\$ 831,540	\$ 843,630	\$ 819,577	\$ 1,029,126
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
College's covered payroll	\$ 10,776,348	\$ 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	7.34%	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, 2023.

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 2022-2023.

Other Supplementary Information

Monroe County Community College

Combining Statement of Net Position

June 30, 2024

(With Comparative Totals for June 30, 2023)

	June 30, 2024									June 30, 2023
	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
Assets										
Current assets:										
Cash and cash equivalents	\$ 22,012,498	\$ -	\$ 1,138,800	\$ 1,219,489	\$ 878,665	\$ 18,413	\$ 115,043	\$ 11,701,174	\$ 37,084,082	\$ 27,320,932
Short-term investments	256,345	-	-	-	-	-	-	-	256,345	250,677
Property taxes receivable, net of allowance of \$25,540 (\$25,540 in 2023)	48,090	-	-	-	-	-	-	18,893	66,983	95,647
State appropriation receivable	1,083,783	349,562	-	-	-	-	-	-	1,433,345	1,275,981
Interest receivable	-	-	-	-	-	-	5,532	-	5,532	4,474
Accounts receivable, net of allowance of \$266,588 (\$381,411 in 2023)	1,501,433	-	-	64,192	431,622	-	8,116	-	2,005,363	2,857,558
Inventories	13,649	-	-	45,168	-	-	-	-	58,817	54,949
Prepaid expenses and other assets	177,061	-	665,661	2,500	95,603	-	-	-	940,825	508,143
Due from (to) other funds	7,368	-	-	(179)	(7,189)	-	-	-	-	-
Total current assets	25,100,227	349,562	1,804,461	1,331,170	1,398,701	18,413	128,691	11,720,067	41,851,292	32,368,361
Restricted investments	-	-	-	-	-	-	198,090	-	198,090	189,834
Property and equipment, net of accumulated depreciation and amortization	-	-	-	-	-	-	59,100	71,272,967	71,332,067	72,194,344
Total assets	25,100,227	349,562	1,804,461	1,331,170	1,398,701	18,413	385,881	82,993,034	113,381,449	104,752,539
Deferred outflows of resources										
Deferred pension amounts	-	9,349,356	-	-	-	-	-	-	9,349,356	11,812,017
Deferred OPEB amounts	-	2,083,263	-	-	-	-	-	-	2,083,263	2,886,305
Total deferred outflows of resources	-	11,432,619	-	-	-	-	-	-	11,432,619	14,698,322

Monroe County Community College

Combining Statement of Net Position

June 30, 2024

(With Comparative Totals for June 30, 2023)

	June 30, 2024									June 30, 2023
	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
Liabilities										
Current liabilities:										
Accounts payable	\$ 413,297	\$ -	\$ 1,973	\$ 57,999	\$ 154,235	\$ -	\$ 571	\$ 313,025	\$ 941,100	\$ 670,131
Accrued payroll and fringes	1,814,599	349,562	-	2,077	22,582	-	-	-	2,188,820	2,013,263
Deposits	123,423	-	-	-	81,775	-	-	-	205,198	139,425
Unearned revenue	226,176	-	-	-	1,066,143	-	-	-	1,292,319	1,073,750
Current portion of debt obligations	-	-	-	-	-	-	-	1,133,052	1,133,052	1,093,899
Current portion of lease commitments	-	-	-	-	-	-	-	21,415	21,415	30,084
Total current liabilities	2,577,495	349,562	1,973	60,076	1,324,735	-	571	1,467,492	5,781,904	5,020,552
Debt obligations, net of current portion	-	-	-	-	-	-	-	7,679,884	7,679,884	8,812,936
Lease commitments, net of current portion	-	-	-	-	-	-	-	5,450	5,450	45,324
Net pension liability	-	32,311,785	-	-	-	-	-	-	32,311,785	40,009,855
Net OPEB liability	-	(574,015)	-	-	-	-	-	-	(574,015)	2,222,218
Total liabilities	2,577,495	32,087,332	1,973	60,076	1,324,735	-	571	9,152,826	45,205,008	56,110,885
Deferred inflows of resources										
Deferred pension amounts	-	8,987,541	-	-	-	-	-	-	8,987,541	6,478,428
Deferred OPEB amounts	-	5,319,466	-	-	-	-	-	-	5,319,466	5,538,424
Total deferred inflows of resources	-	14,307,007	-	-	-	-	-	-	14,307,007	12,016,852
Net position										
Invested in capital assets, net of related debt	-	-	-	-	-	-	59,100	62,433,166	62,492,266	62,212,101
Restricted for:										
Nonexpendable endowments										
Scholarships	-	-	-	-	3,474	-	-	-	3,474	3,474
Other	-	-	-	-	70,492	-	-	-	70,492	72,196
Expendable:										
Scholarships	-	-	-	-	3,474	-	-	-	3,474	3,474
Other	-	-	-	-	70,492	-	-	-	70,492	72,196
Unrestricted (deficit)	22,522,732	(34,612,158)	1,802,488	1,271,094	-	18,413	148,671	11,407,042	2,558,282	(11,142,186)
Total net position	\$ 22,522,732	\$ (34,612,158)	\$ 1,802,488	\$ 1,271,094	\$ 73,966	\$ 18,413	\$ 385,310	\$ 73,840,208	\$ 65,302,053	\$ 51,323,124

Monroe County Community College

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

Year Ended June 30, 2024

(With Comparative Totals for the Year Ended June 30, 2023)

	Year Ended June 30, 2024									Year Ended June 30, 2023
	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 \$2,029,995 (\$1,847,917 in 2023)	\$ 7,393,056	\$ -	\$ 1,209,722	\$ -	\$ (1,615,974)	\$ -	\$ -	\$ -	\$ 6,986,804	\$ 6,493,392
Federal grants	12,295	-	-	-	1,782,648	-	-	-	1,794,943	2,044,401
State grants	-	-	-	-	130,312	-	-	-	130,312	125,222
Auxiliary activities, net of scholarship allowance of \$266,635 (\$251,422 in 2023)	-	-	-	270,706	(266,635)	-	-	-	4,071	(11,279)
Other sources	138,030	-	-	535	915,104	-	18,231	-	1,071,900	439,203
Total operating revenue	7,543,381	-	1,209,722	271,241	945,455	-	18,231	-	9,988,030	9,090,939
Operating expense:										
Instruction	10,657,391	(1,072,327)	191,091	-	525,415	-	-	(157,246)	10,144,324	10,265,435
Information technology	1,232,145	(144,462)	586,470	-	-	-	-	(30,632)	1,643,521	1,691,835
Public services	248,306	(17,012)	8,544	100,558	31,485	-	-	-	371,881	293,075
Instructional support	2,958,832	(73,952)	137,236	-	119,612	-	-	(11,082)	3,130,646	2,964,076
Student services	2,647,405	(331,615)	81,440	315,474	3,370,850	-	-	(14,740)	6,068,814	5,397,616
Institutional administration	3,888,776	(255,591)	48,346	-	-	-	4,295	(11,782)	3,674,044	4,673,056
Operation and maintenance of plant	3,819,829	(281,315)	34,003	-	20,978	-	-	104,044	3,697,539	2,994,603
Depreciation and amortization	-	-	-	-	-	-	-	3,234,601	3,234,601	3,066,689
Total operating expense	25,452,684	(2,176,274)	1,087,130	416,032	4,068,340	-	4,295	3,113,163	31,965,370	31,346,385
Operating income (loss)	(17,909,303)	2,176,274	122,592	(144,791)	(3,122,885)	-	13,936	(3,113,163)	(21,977,340)	(22,255,446)

Monroe County Community College

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

Year Ended June 30, 2024
(With Comparative Totals for the Year Ended June 30, 2023)

	Year Ended June 30, 2024									Year Ended June 30, 2023
	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
Nonoperating revenue (expense)										
State appropriations	\$ 6,670,132	\$ 2,762,170	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,432,302	\$ 7,948,713
Property tax levy	16,075,347	-	-	-	-	-	-	6,268,793	22,344,140	20,473,158
Federal Pell grant revenue	-	-	-	-	2,762,666	-	-	-	2,762,666	2,436,027
Federal HEERF grant revenue	-	-	-	-	-	-	-	-	-	1,094,563
Investment income	795,781	-	-	-	-	-	9,314	100,737	905,832	383,580
Gifts	-	-	-	-	358,515	-	-	-	358,515	502,431
Interest on capital assets - related debt	-	-	-	-	-	-	-	(333,606)	(333,606)	(373,889)
Loss on disposal of assets	-	-	-	-	-	-	-	(274,680)	(274,680)	(4,916)
Net nonoperating revenue (expense)	23,541,260	2,762,170	-	-	3,121,181	-	9,314	5,761,244	35,195,169	32,459,667
Other revenue										
State capital appropriations	-	-	-	-	-	-	-	761,100	761,100	-
Total other revenue	-	-	-	-	-	-	-	761,100	761,100	-
Income (loss) before transfers	5,631,957	4,938,444	122,592	(144,791)	(1,704)	-	23,250	3,409,181	13,978,929	10,204,221
Transfers in (out)	(500,000)	-	-	-	-	-	(13,938)	513,938	-	-
Net increase (decrease) in net position	5,131,957	4,938,444	122,592	(144,791)	(1,704)	-	9,312	3,923,119	13,978,929	10,204,221
Net position at beginning 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
Net position at end of year	<u>\$ 22,522,732</u>	<u>\$ (34,612,158)</u>	<u>\$ 1,802,488</u>	<u>\$ 1,271,094</u>	<u>\$ 73,966</u>	<u>\$ 18,413</u>	<u>\$ 385,310</u>	<u>\$ 73,840,208</u>	<u>\$ 65,302,053</u>	<u>\$ 51,323,124</u>