Mid Michigan College

Years Ended June 30, 2021 and 2020

Financial Statements and Supplementary Information

Rehmann

MID MICHIGAN COLLEGE

Table of Contents

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

The discussion and analysis of Mid Michigan College's (the “College” or “Mid”) financial statements provides an overview of the College's financial activities for the years ended June 30, 2021, 2020, and 2019. Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of the information rests with the College's management.

Using the Financial Report

This financial report includes the report of independent auditors, management's discussion and analysis, the basic financial statements, and notes to the financial statements. The basic financial statements consist of the statement of net position, the statement of revenue, expenses, and changes in net position, and the statement of cash flows. Following the basic financial statements and notes are three supplemental schedules: the GASB 68 and 75 required supplemental information and the combining statement of net position and the combining statement of revenue, expenses, transfers, and changes in net position as of and for the year ended June 30, 2021.

The College's financial statements include all assets and liabilities using the accrual basis of accounting. All revenue and expenses are recorded as incurred regardless of when cash is received or paid. Revenue and expenses are separated into categories of operating and nonoperating.

Under the provision of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, the Mid Michigan College Foundation (the “Foundation”) has been determined to be a component unit. Accordingly, the Foundation is discretely presented in the College's financial statements. Refer to Notes 3, 11, 12, 13 and 14 to the financial statements for information regarding the Foundation.

Financial Highlights

The College's financial position remained strong at June 30, 2021 with assets of $75.4 million, deferred outflows of resources of $10.3 million, liabilities of $53.6 million, deferred inflows of resources of $10.3 million, and overall positive net position of $21.8 million.

The net pension liability was $39.8 million at June 30, 2020 and decreased to $38.2 million at June 30, 2021. The net OPEB liability was $8.4 million at June 30, 2020 and decreased to $5.7 million at June 30, 2021. Excluding the impact of GASB 68 and 75, net position, which represents the residual interest in the College's assets after liabilities are deducted, increased $7 million during fiscal year 2021.

Total capital expenditures during 2021 were $167,176. Additional information about capital additions is included in the capital asset section of this discussion as well as in the footnotes to the financial statements.

The Statement of Net Position and the Statement of Revenue, Expenses, and Changes in Net Position

The statement of net position and the statement of revenue, expenses, and changes in net position report information on the College as a whole. These statements report the College's financial position as of June 30, 2021 and changes in net position for the year then ended.

Statement of Net Position

Total net position at June 30, 2021, 2020, and 2019 is $21.8 million, $19.2 million, and $21.5 million, respectively. The College's statement of net position at June 30 is summarized as follows:

	2021	2020	2019
Current assets	$23,782,832	$22,739,214	$21,101,167
Noncurrent assets			
Restricted cash	71,354	389,759	-
Capital assets, net	45,839,840	48,630,503	40,644,063
Long-term investments	5,718,433	3,013,593	5,718,770
Total assets	75,412,459	74,773,069	67,464,000
Deferred outflows of resources	10,319,477	13,194,461	13,823,191
Current liabilities	3,735,842	5,452,745	3,782,214
Noncurrent liabilities	49,855,611	54,548,057	47,799,139
Total liabilities	53,591,453	60,000,802	51,581,353
Deferred inflows of resources	10,300,224	8,747,809	8,223,372
Net position			
Net investment in capital assets	39,502,631	41,627,254	39,943,900
Restricted	7,929	17,149	-
Unrestricted	(17,670,301)	(22,425,484)	(18,461,434)
Total net position	**$21,840,259**	**$19,218,919**	**$21,482,466**

The primary changes in the assets and liabilities of the College between 2021 and 2020 are as follows:

- Current assets increased by $1,044,000, partly due to the receipt of CARES HEERF grants.
- Noncurrent assets decreased from prior year by $404,000.
- Current liabilities decreased $1.7 million due in part to a reduction in accounts payable at year end as well as a reduction in unearned revenue.
- Noncurrent liabilities decreased $4.7 million as a result of a reduction in the pension and other postemployment benefits for unfunded obligations to the MPSERS plans, in accordance with GASB 68 and GASB 75.
- Overall net position increased $2.6 million.

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

- Current assets increased by $2.0 million, partly due to the proceeds received as a result of issuing $6.6 million of facility bonds.
- Noncurrent assets increased $5.2 million due to the construction completing on the Harrison campus renovation project.
- Current liabilities increased $1.7 million due to accounts payable invoices related to the Harrison renovation construction project.
- Noncurrent liabilities increased $6.7 million primarily due to the issuance of $6.6 million of facilities bonds to fund the Harrison campus renovation.
- Overall net position decreased $2.3 million.

Statement of Revenue, Expenses, and Changes in Net Position

The following is a comparative analysis of components of the revenue, expenses, and changes in net position for the years ended June 30, 2021, 2020, and 2019:

	2021	2020	2019
Total operating revenue	$13,294,668	$15,295,627	$16,148,100
Total operating expenses	31,769,154	33,878,190	33,915,138
Net operating loss	(18,474,486)	(18,582,563)	(17,767,038)
Net nonoperating revenue	21,095,826	16,319,016	16,322,136
Change in net position, before other revenue	2,621,340	(2,263,547)	(1,444,902)
Capital grants	-	-	2,500,000
Change in net position	2,621,340	(2,263,547)	1,055,098
Net position – beginning of year	19,218,919	21,482,466	20,427,368
Net position – end of year	**$21,840,259**	**$19,218,919**	**$21,482,466**

Operating Revenue

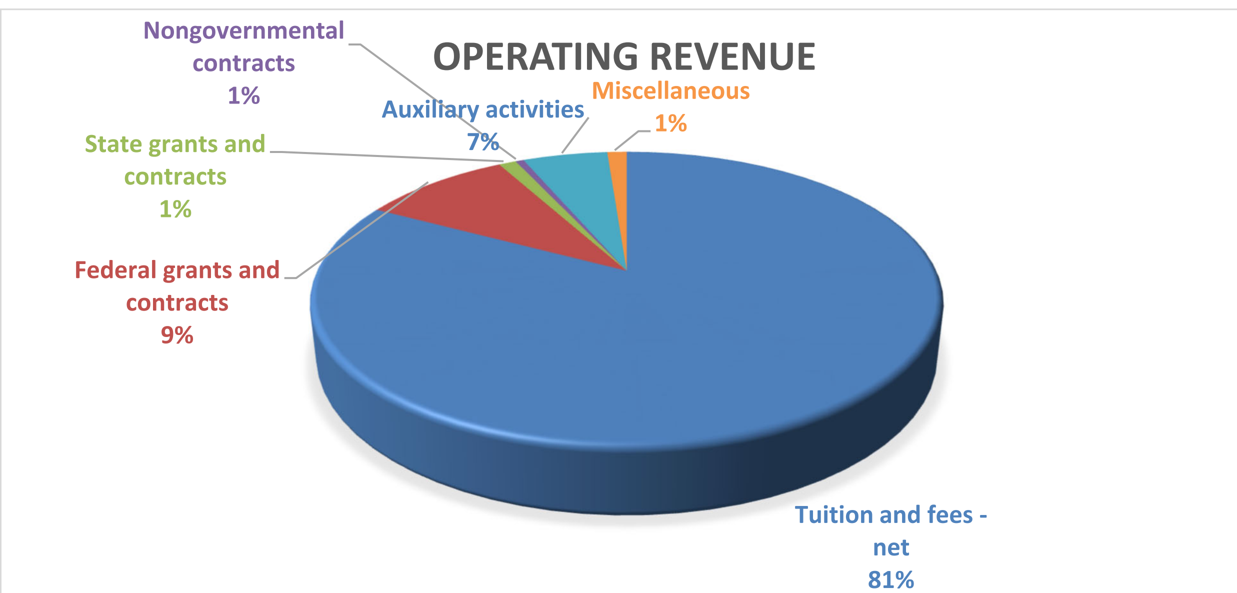
Operating revenue includes charges for all exchange transactions such as tuition and fees, the sale of books and supplies, and certain federal, state, and private grants that were considered a contract for services. Operating revenue consisted of the following:

	2021	2020	2019
Tuition and fees, net	$10,717,261	$12,505,051	$12,898,787
Federal grants and contracts	1,223,752	1,302,499	1,376,405
State grants and contracts	142,080	54,866	65,423
Nongovernmental contracts	67,340	81,177	104,522
Auxiliary enterprises	985,172	1,212,691	1,472,967
Miscellaneous	159,063	139,343	229,996
Total operating revenue	**$13,294,668**	**$15,295,627**	**$16,148,100**

2020-2021 operating revenue decreased when compared to the prior year partly due to a decline in enrollment and the impact of COVID on bookstore and food service sales.

2019-2020 operating revenue decreased when compared to the prior year partly due to the closing of campus negatively impacting bookstore and food service sales.

The following is a graphic illustration of operating revenues for fiscal year 2021:



Operating Expenses

Operating expenses represent the costs necessary to provide services and conduct the programs of the College. Operating expenses consisted of the following:

	2021	2020	2019
Instruction	$10,771,329	$11,149,627	$10,400,491
Public Service	1,081,901	999,457	1,116,021
Instructional support	2,081,927	2,607,628	2,806,545
Student services	7,460,286	7,764,516	8,049,912
Institutional administration	4,065,179	4,388,814	4,392,087
Operation and maintenance of physical plant	2,247,072	3,015,885	3,077,551
Information technology	1,519,319	1,479,603	1,522,359
Depreciation and amortization	2,542,141	2,472,660	2,550,172
Total operating expenses	**$31,769,154**	**$33,878,190**	**$33,915,138**

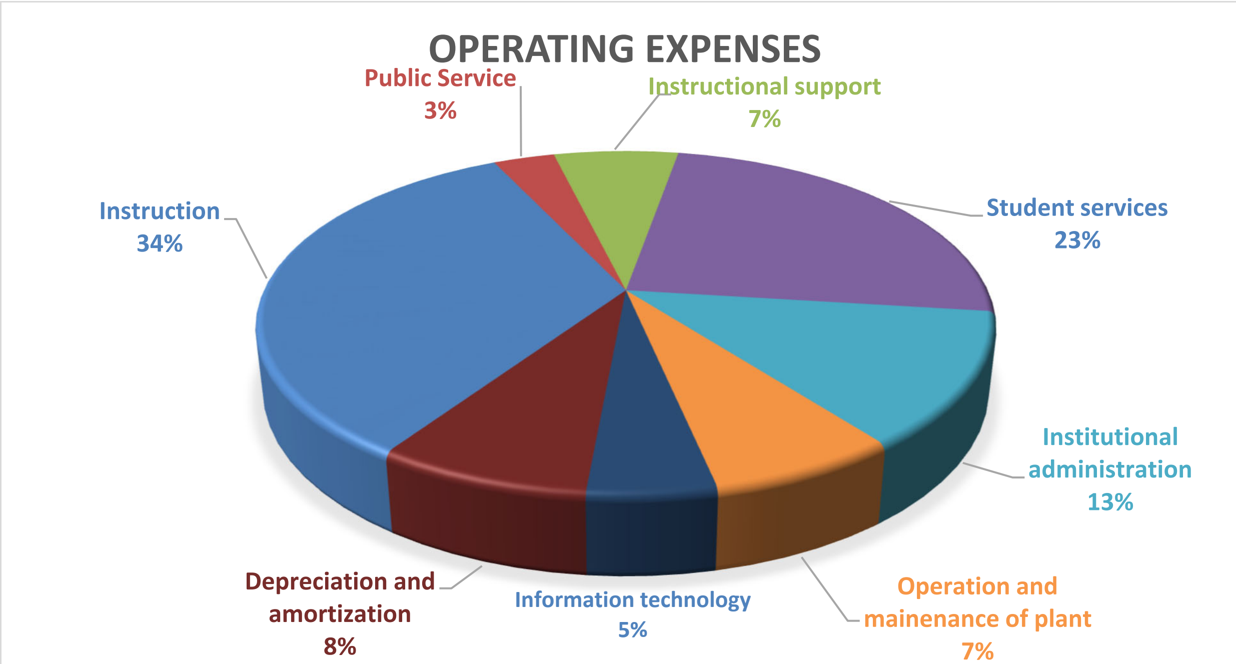
2020-2021 operating expense changes were the result of the following factors:

- Instructional expenses decreased $378,000 primarily due to a reduction in UAAL allocations as a result of GASB 68 and 75.
- Instructional support expenses decreased $526,000 primarily due to a reduction in UAAL allocations as a result of GASB 68 and 75.
- Student services expenses decreased $304,000 due to staffing reorganization.
- Operation and maintenance of physical plant decreased $769,000 primarily due to a reduction in UAAL allocations as a result of GASB 68 and 75.

2019-2020 operating expense changes were the result of the following factors:

- Instructional expenses increased $749,000 primarily due to increased faculty pay and related benefits.
- Instructional support expenses decreased $199,000 primarily due to the reduction in retirement contributions on behalf of student employees and the transfer of tutor expenses from general fund to the Perkins grant.
- Student services expenses decreased $285,000 due to a decrease in student workers funded through the College's grant match, a decrease in scholarships awarded, and staffing reorganization.
- Operation and maintenance of plant decreased $62,000 primarily due to salary and fringe decreases.

The following is a graphic illustration of operating expenses for the year ended June 30, 2021:



Nonoperating and Other Revenue

Nonoperating revenue represents all revenue sources that are primarily nonexchange in nature. They consist primarily of state operating appropriations, Federal Pell grant revenue, property tax revenue, investment income (including realized and unrealized gains and losses), and Federal CARES Act funding. Other revenue includes state grants for capital projects.

Nonoperating and other revenue was composed of the following:

	2021	2020	2019
State appropriations	$7,062,312	$6,415,585	$6,680,421
Federal Pell grant	4,573,645	5,712,759	5,959,954
Federal Higher Education Emergency Relief Fund grants	5,962,052	492,128	-
Federal Coronavirus Relief Fund grants	581,000	-	-
Property taxes	2,534,971	2,435,460	2,384,953
Gifts	240,789	253,526	198,318
Investment (loss) income, net	(107,985)	380,393	536,712
Other revenue	318,930	141,237	162,976
Interest on capital asset-related debt	(143,004)	(74,066)	(40,021)
Gifts from Mid Michigan College Foundation	73,116	561,994	438,823
Other - capital grants	-	-	2,500,000
	$21,095,826	**$16,319,016**	**$18,822,136**

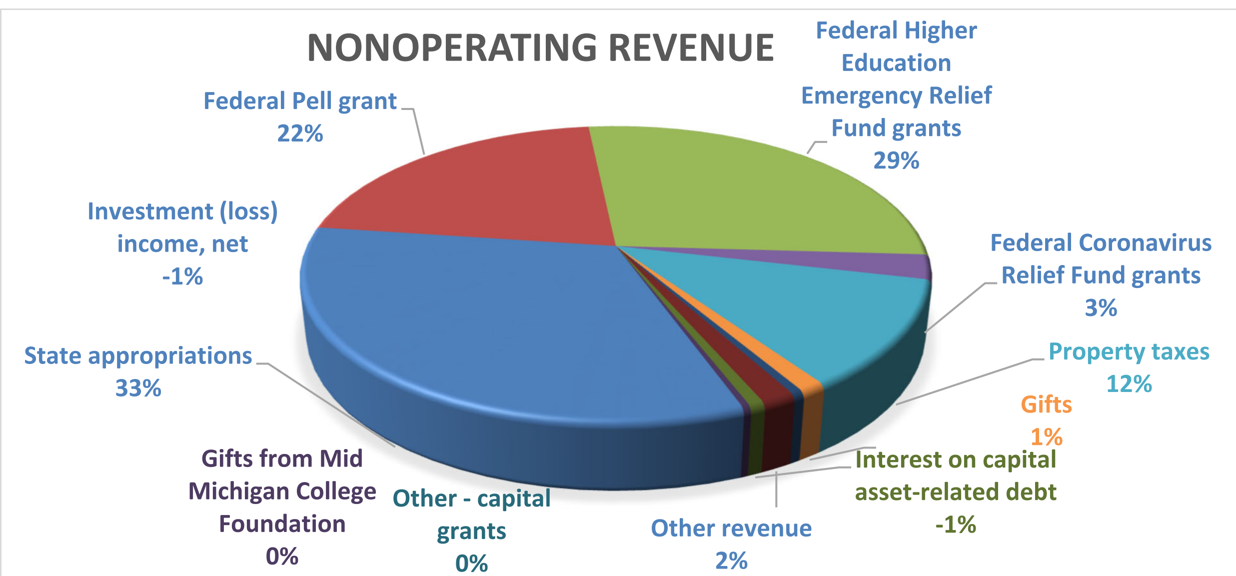
2020-2021 nonoperating and operating significant revenue changes were the result of the following factors:

- State operating appropriations increased $647,000 due to the reinstatement of state appropriations revenue back to the budgeted level.
- Federal Pell decreased $1.1 million due to a decrease in the number of enrolled students eligible for grant funding.
- The College spent $6.5 million in federal funding that was awarded in response to the COVID-19 pandemic.
- Gifts and transfers between the College and the Foundation decreased $489,000 due to the reduction in transfers from the Foundation to the College for capital campaign pledge payments.

2019-2020 nonoperating and operating significant revenue changes were the result of the following factors:

- State operating appropriations decreased $265,000 due in part to a late-year state appropriations revenue decrease of 11% from original budgeted appropriations.
- Federal Pell decreased $247,000 due to a decrease in the number of enrolled students eligible for grant funding.
- The College spent $492,000 in federal CARES Act funding that was awarded in response to the COVID-19 pandemic.
- Gifts and transfers between the College and the Foundation increased $123,000 due to transfers from the Foundation to the College for some remaining capital campaign pledge payments.

The following is a graphic illustration of nonoperating and other revenue for the year ended June 30, 2021:



Statement of Cash Flows

The primary purpose of this statement is to provide relevant information about the cash receipts and cash payments of an entity during a period. The statement of cash flows also helps assess an entity's ability to generate net cash flows from operations, its ability to meet its obligations as they come due, and its needs for external financing.

For 2020-2021, net cash used in operating activities totaled $18.3 million. This was financed by $16 million of net cash flows from noncapital financing activities such as property taxes, federal Pell grants, Federal HEERF and CRF Fund grants, and state appropriations. Net cash used in capital and related financing activities totaled $848,000 during 2021, including $167,000 in capital additions (net of unpaid retainages and accounts payable) and long-term debt principal and interest payments of $681,000 for the year. Net cash used in investing activities totaled $3.3 million. The net result of all cash flows is a decrease in cash of $6.5 million from 2020.

For 2019-2020, net cash used in operating activities totaled $14 million. This was financed by $16.9 million of net cash flows from noncapital financing activities such as property taxes, federal Pell grants, and state appropriations. Net cash used in capital and related financing activities totaled $3.6 million during 2020, including $10.5 million in capital additions (net of unpaid retainages and accounts payable) and long-term debt principal and interest payments of $423,000 for the year, net with $6.7 million of bond proceeds received. Net cash provided by investing activities totaled $3.4 million. The net result of all cash flows is an increase in cash of $2.6 million from 2019.

Capital Asset and Debt Administration

Capital Assets

The College had $45.8 million, $48.6 million, and $40.6 million invested in capital assets, net of accumulated depreciation of $40.9 million, $41.6 million, and $39.1 million at June 30, 2021, 2020, and 2019, respectively. Depreciation charges totaled $2.5 million, $2.5 million, and $2.6 million, respectively, for the years then ended.

Debt

As of June 30, 2021, 2020, and 2019, the College had $6.3 million, $7 million, and $700,000 in debt, respectively, primarily consisting of bonds outstanding.

General Obligation Limited Tax Bonds, Series 2020, were issued in February 2020 for the purpose of paying part of the costs of constructing renovations to the main instructional building on the College's Harrison Campus and financing the Bonds.

Standard & Poors Global Ratings assigned a municipal bond rating of "AA" to the most recent Bonds and Moody's Investors Service assigned its underlying rating of "Aa3" to the same issue of Bonds.

A municipal bond insurance policy was issued by Build America Mutual Assurance Company (BAM) to insure the Bonds.

Economic Factors That Will Affect the Future

The economic position of Mid Michigan College (the "College" or "Mid") is driven by three revenue streams: its State of Michigan appropriation, in-district property taxes, and student tuition and fees.

The table below compares these sources within a 10-year period; 2009-10 and 2019-20 (this is the most recent year for which a full set of ACS data is available). In addition to the total number, the table shows revenue and spending per Fiscal Year Equated Student (FYES), a standardization factor equivalent to the number of credit hours divided by 30 (the number required in a semester to complete an Associate's degree within two years).

Increased reliance on tuition and fees

Shown below, the College's state appropriation and property tax aggregate revenue only increased 5% in the last ten years. Because of a lower number of students, the per-FYES appropriations number grew by 73% and the property tax revenue increased 59%. In contrast, the College's expenditures per FYES increased 97%, due largely to increases in personnel and technology costs.

	2009-10	2019-20	% Change
FYES	3,484	2,224	-36%
State Appropriations (less UAAL)	$4,422,800	$4,743,500	7%
State Aid/FYES	$1,231	$2,133	73%
Property Tax Revenue	$2,393,167	$2,435,460	2%
Property Tax/FYES	$687	$1,095	59%
Tuition & Fee Revenue	$17,447,820	$16,817,252	-4%
Tuition & Fee/FYES	$5,008	$7,562	51%
Total Operating/FYES	$7,021	$11,701	67%
Expenditures/FYES	$5,444	$10,738	97%
In-District Tuition	$80	$129	61%
Out-District Tuition	$139	$217	56%
Average In-District Tuition	$77	$117	52%
Average Out-District Tuition	$125	$195	56%

The College has balanced its budget over the last ten years by a greater reliance on student tuition and fees. This was achievable, in part, when enrollment spiked between 2009 and 2013; clearly, more students generate more tuition and fees. However, the balanced budget has also been achieved by significant increases in tuition and fees (61% for in-district; 56% for out-of-district students). These increases were above average for Michigan community colleges during the same time period (52% and 56%, respectively).

Enrollment Challenges and Strategies

The considerable reliance on tuition and fee revenue creates analogous pressure to increase enrollment. As shown above, the 36% decline in enrollment between 2010 and 2020 was followed by a further enrollment decline of 2.7% between the Fall 2020 and Fall 2021 Semesters.

Demographically, the College is facing a shrinking population of high school students. High school students have comprised most of the College's prospective student base. In anticipation of further declines, the College has expanded its dual enrollment offerings in high schools in the surrounding regions. This includes approximately 50 schools across the area. Mid is the only public community college in Michigan to be accredited by the National Alliance for Concurrent Enrollment Programs.

In addition to the expansion of dual enrollment, the College has developed a plan to attract and retain adult learners. Specific target markets include veterans, those with some college credits but no degree, and those who can apply short-term industry-based certificates toward an associate degree program.

International student enrollment has continued to decline due to several factors, including federal policies regarding non-citizens as well as the travel restrictions created by the COVID-19 pandemic.

The Retention and Completion Agenda

Since 2015, the College has made a concerted effort to improve the completion rates for its certificates and degree programs. Not only is this beneficial to the College's enrollment profile, but it is better yet for the economic vitality of the individuals involved and the communities in which they live. In this regard, the College's efforts have been evidence-based and built on national, state, and local data. Several examples are worthy of note and carry financial ramifications.

The Guided Pathways and Transfer initiative, conducted in collaboration with other community colleges and universities, made significant progress in this regard. Mid students can now access coherent academic plans for every department of the College. Degree completion at Mid is likely to translate into more credit hours and more tuition revenue, although reverse transfer options with partner universities can also be used to achieve this goal. Mid is one of only three community colleges that still requires 62 credits for degree completion. Within the next few years, a shift to the standard 60 credit hours will need to be considered in the College's budget forecasts.

Degree and certificate completion has been boosted by the College's affiliation with the National Coalition of Certification Centers (NC3). The NC3 Affiliation has sparked an enrollment increase in the skilled trades programs and successful collaboration with the area ISDs to seek and implement the State's Marshall grant funds. More than 600 industry-based credentials have been earned by Mid students.

Research has raised doubt on the value of developmental education in degree completion. In the approaching years, the College is likely to reduce the number of credit hours in developmental courses which will have a corresponding budget impact. Additionally, the College continues to add 8-week course options alongside its standard 16-week semester. This will likely have a positive budget impact.

Aside from the cost of attendance, students face challenges from the rising costs of textbooks. Beginning in the Fall Semester of 2016, a number of Mid faculty members began to create Open Educational Resources (OER) to supplement their courses. Students can access these materials free of charge. Since that time, Mid students have saved over $1.8 million in textbook costs. While research shows that it supports retention and completion and is a boon for students, it has had a concomitant impact on the College's auxiliary operations, especially its Bookstore. Effective October 1, 2021, the College stores will be operated by Barnes & Nobel College.

"Free College"

Currently, 20 states offer some type of tuition-free program for the first two years of College. It is likely that Michigan's decentralized approach to higher education and its reliance on property-tax revenue will make the implementation of a tuition-free model more complex than in other states. Several programs including MI-Opportunity, MI-Reconnect, and Futures for Frontliners offer some form of free college in Michigan. Free college discussions continue at the federal level as well. Mid will continue to contemplate the impact that such programs could have on its recruitment and enrollment efforts. The College is working to strengthen its relationship with Central Michigan University (CMU) as a way to create an attractive passage for students who will be able to use their tuition benefits at any community college in the state. The collaboration between Mid and CMU to develop the BSN completion program (the alignment of the transfer pathways between the two institutions) and the Chippewa Achieve Program are two examples of successful efforts in this regard.

Futures for Frontliners

Michigan Governor Whitmer formalized the Futures for Frontliners program in September 2020. This will provide educational benefits to individuals who worked frontline jobs during the peak of the coronavirus outbreak between April and June 2020. Many essential workers do not have college degrees and are likely in low-paying jobs. Giving these workers free access to higher education should give them more opportunities for higher-wage employment. Individuals who qualify are eligible for a free high school completion program, community college degree, or both. Four hundred seventy-six Mid students are currently approved to receive this benefit during the next year.

MI-Reconnect

Michigan Reconnect provides a $1,500 Skills Scholarship for Michigan residents who are at least 25 years old, have lived in Michigan for a year or more, and have a high school diploma or equivalent but have not yet completed a college degree. The scholarship may be used to complete an associate degree or a skill certificate program. There are currently 209 Mid students enrolled through this program. This is projected to have a positive impact on Mid's enrollment for the next few years.

Expansion Efforts

In the initial authorization for the College in 1965, the Michigan Department of Public Instruction urged the College trustees to, "…take immediate appropriate steps to bring about the annexation of the Intermediate School District of Isabella County." Although the Isabella districts were not annexed, the College has maintained a strong presence in Mt. Pleasant since 1968. It began with scattered classes in schools, the hospital, and local storefronts. In 1992, the College purchased the Energy One building at 5805 East Pickard Avenue. This 57,000 square foot building became the College's base of operations until 2014 when the College consolidated its operations at its new location on the corner of Broadway and Summerton Roads in Mt. Pleasant. The out-of-district tuition from Mt. Pleasant students served as a supporting revenue stream for the College's work in the Clare and Gladwin Counties. Today, the number of Mid students from Isabella county is higher than the combined student count of Clare and Gladwin counties.

Over the years, the College has contemplated how to best balance the needs and priorities of its in-district and out-of-district offerings. In 2017, the Board of Trustees authorized expansion efforts to the surrounding contiguous counties and to counties in the Thumb region (Huron, Sanilac, and Tuscola). The College has created advisory boards and built relationships in these areas in order to best identify the local needs and engender public support. In January 2021, the Board of Trustees authorized the College to place a proposal on the May 2021 special election ballot to annex the nine schools in the Gratiot-Isabella Intermediate School District along with the Chippewa Hills school district, into the College's service district. The proposal passed in the Mt. Pleasant School district, adding that school district to the College's service district. The net additional revenue generated from annexing the Mt. Pleasant school district is estimated at $500,000. The feasibility of public support, either through long-term contractual agreements or through additional annexation efforts, will continue to be explored.

Facilities and Financing.

Mid owns more than 600 acres of property and has more than 459,000 square feet in facilities. The Pickard Building, representing 57,000 square feet, has been used minimally since 2014. There has been a renewed interest in this property, with two purchase offers received in September 2021. There is a signed purchase agreement currently in place with an anticipated closing in December 2021. Its sale would result in an annual cost savings of approximately $100,000.

The College invested over $13 million in its Harrison Campus during 2019 and 2020 to preserve the vitality of the campus and create a welcoming environment to the college community and local citizens. The renovation of the main instructional building makes it among the most energy efficient community college buildings in the state. The facilities cost savings will offset the annual debt service of the $6,575,000 municipal bond which, along with funds from the College’s building and site reserves, financed the project.

In April 2015, the College engaged Neumann/Smith Architecture in conjunction with Peter Basso Associates to develop a Campus Master Plan. The resulting Report, particularly with the thorough analysis of the College’s infrastructure, has proven very valuable. With the completion of the Harrison renovation, Peter Basso Associates was engaged to update Life Expectancy Report for all mechanical systems. This will guide the College in planning future maintenance and renovation projects. It is likely that the next major facilities initiative will be on the Mt. Pleasant campus, as the College seeks state capital outlay funding for an expansion of the Morey Tech Center.

Personnel

The College has collective bargaining agreements with two of its employee groups. The Employee Support Personnel Association agreement expired June 30, 2021. Negotiations began in April 2021 and continued through July 2021 at which time the parties progressed to mediation. In September 2021 the mediation process concluded. The next step in this process will be fact-finding but no dates have been scheduled at this time. Negotiations with the Faculty Senate are currently underway for their contract which expires August 19, 2022.

The College is currently staffed at a significantly higher level than it was in 2004-05 when enrollment was at a similar level. However, an expanded physical footprint, the growth of instructional technology, and an increased emphasis on federal and state compliance issues have created a new set of human resource needs. The College initiated a staff reduction effort in September 2020 and is attempting to use natural attrition to continue a reduction in its personnel costs.

The College has undertaken two other significant shifts regarding its personnel. In January 2016, in an attempt to better control cost increases, the College made a five-year commitment to self-funding employee healthcare. The College is partnering with Advantage Benefits Group (ABG) and Blue Cross/Blue Shield to administer the plan, which is currently reinsured with a $35,000 per member stop-loss plan. The purpose of stop-loss insurance is to limit the risk of exposure to the College. The claims and costs activity has been positive thus far and the College’s health care reserve amount now exceeds $1 million. This is a reasonable cushion should the claims experience change in the coming years. With the uncertainty of the COVID-19 impact on health care and costs, the College will need to remain vigilant in monitoring costs, cost-saving opportunities, and supporting employee wellness.

The second significant shift was implemented in July of 2016 when the College contracted with EDUStaff as a third-party administrator to handle the hiring of its adjunct faculty and part-time staff. Nearly 75% of the college's adjunct and almost all of its part-time employment requirements are fulfilled through EDUStaff, at a significant cost savings.

Most College employees participate in the Michigan Public School Employees' Retirement System (MPSERS), with employer contributions mandated by the State. Contribution rates have risen significantly in recent years to fund retiree healthcare benefits and the unfunded pension liability. Employer contribution rates range from 20.96% - 28.31%, depending on the plan in which employees are enrolled. When applied to the College's total payroll, this represents a sizeable commitment. The 17% EDUStaff benefit load represents a significant cost savings for the College and has enabled compensation increases for the individuals working through EDUStaff, as well.

Budget Projections

The demographic shifts in Michigan, the enrollment trend at Mid, and the general uncertainty resulting from the COVID-19 pandemic indicate enrollment challenges for the future. However, the State of Michigan has introduced new programs to offset the cost of college tuition for the next few years. All things taken into consideration, the College's 2021-22 budget was developed assuming a 1% enrollment increase and a corresponding increase in tuition and fees. The College Board of Trustees approved an across-the-board tuition rate increase of 4% per contact hour effective with the 2021 fall semester. State Appropriations for 2021-22 are projected consistent with prior year levels. The final Fall 2021 enrollment levels were down 2.7% from 2020. The 2021-22 budget will be evaluated and revised, if necessary, when the final Winter 2022 enrollment data is available. Any budget revisions will be presented for Board approval in February of 2022.

The revenue loss in the 2020, 2021 and 2022 fiscal years resulting from the COVID-19 disruption on activities and enrollment will be generally offset by the infusion of federal funds through the CARES Act and HEERF.

While management reasonably expects the COVID-19 outbreak to negatively impact the College's financial condition, operating results, and timing and amounts of cash flows, the related financial consequences and duration are highly uncertain.

The annexation of the Mt. Pleasant School District is a first step in stabilizing the College's revenue during times of enrollment decline. The College continues to explore new programmatic opportunities and expansion efforts in order to generate greater enrollment and community support to meet future financial concerns.

INDEPENDENT AUDITORS' REPORT

Rehmann

INDEPENDENT AUDITORS' REPORT

November 11, 2021

To the Board of Trustees
Mid Michigan College
Harrison, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of ***Mid Michigan College*** (the "College") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Independent Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Rehmann is an independent member of Nexia International. A member of Nexia International

107 South Cass St., Suite A, Traverse City, MI 49684 231.946.3230

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the discretely presented component unit of ***Mid Michigan College*** as of June 30, 2021, and the respective results of their operations and cash flows, where applicable, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The supplementary combining information identified in the table of contents is presented for purposes of additional analysis and is not a required part of the 2021 basic financial statements. Such information has not been subjected to the auditing procedures applied in our audit of the 2021 financial statements and accordingly we do not express an opinion or provide any assurance on it.

Predecessor Auditor

The financial statements of ***Mid Michigan College*** as of June 30, 2020 were audited by other auditors whose report dated October 27, 2020, expressed unmodified opinions on those statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued, under separate cover, our report dated November 11, 2021, on our consideration of ***Mid Michigan 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering ***Mid Michigan College's*** internal control over financial reporting and compliance.

Rehmann Robson LLC

FINANCIAL STATEMENTS

MID MICHIGAN COLLEGE

Statements of Net Position

	June 30, 2021		June 30, 2020	
	Primary Government	Component Unit	Primary Government	Component Unit
Assets				
Current assets				
Cash and cash equivalents	$ 12,867,332	$ 772,248	$ 18,997,412	$ 655,360
Short-term investments	1,248,057	4,507,579	1,268,821	3,212,398
Accounts receivable, net	8,132,996	16,248	1,886,917	30,709
Inventories	240,139	-	282,737	-
Prepaid expenses	579,042	-	353,514	-
Assets held for sale	415,696	-	-	-
Due (to) from other	299,570	(299,570)	(50,187)	50,187
Total current assets	**23,782,832**	**4,996,505**	**22,739,214**	**3,948,654**
Noncurrent assets				
Long-term investments	5,718,433	1,293,087	3,013,593	1,205,891
Restricted cash	71,354	-	389,759	-
Accounts receivable, net	-	55,000	-	4,987
Capital assets, not being depreciated	2,587,064	-	2,807,064	-
Capital assets, being depreciated	43,252,776	-	45,823,439	-
Total noncurrent assets	**51,629,627**	**1,348,087**	**52,033,855**	**1,210,878**
Total assets	**75,412,459**	**6,344,592**	**74,773,069**	**5,159,532**
Deferred outflows of resources				
Deferred pension amounts	7,798,102	-	10,794,253	-
Deferred other postemployment benefits amounts	2,521,375	-	2,400,208	-
Total deferred outflows of resources	**10,319,477**	**-**	**13,194,461**	**-**
Liabilities				
Current liabilities				
Accounts payable	962,990	-	1,806,001	-
Accrued payroll and related liabilities	1,233,661	-	1,282,315	-
Interest payable	26,078	-	24,257	-
Unearned revenue	1,178,260	-	1,674,132	-
Long-term obligations - current portion	334,853	-	666,040	-
Total current liabilities	**3,735,842**	**-**	**5,452,745**	**-**
Noncurrent liabilities				
Long-term obligations - net of current portion	6,002,356	-	6,337,209	-
Net pension liability	38,180,403	-	39,838,001	-
Net other postemployment benefit liability	5,672,852	-	8,372,847	-
Total noncurrent liabilities	**49,855,611**	**-**	**54,548,057**	**-**
Total liabilities	**53,591,453**	**-**	**60,000,802**	**-**
Deferred inflows of resources				
Deferred pension amounts	4,675,680	-	4,675,924	-
Deferred other postemployment benefits amounts	5,624,544	-	4,071,885	-
Total deferred inflows of resources	**10,300,224**	**-**	**8,747,809**	**-**
Net position				
Net investment in capital assets	39,502,631	-	41,627,254	-
Restricted for:				
Expendable scholarships and grants	7,929	439,795	17,149	438,968
Nonexpendable scholarships	-	1,293,087	-	1,205,891
Unrestricted (deficit)	(17,670,301)	4,611,710	(22,425,484)	3,514,673
Total net position	**$ 21,840,259**	**$ 6,344,592**	**$ 19,218,919**	**$ 5,159,532**

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

Statements of Revenues, Expenses and Changes in Net Position

	Year Ended			
	June 30, 2021		June 30, 2020	
	Primary Government	Component Unit	Primary Government	Component Unit
Operating revenues				
Tuition and fees, net of scholarship allowance of $3,549,542 and $4,312,201 for 2021 and 2020, respectively	$ 10,717,261	$ -	$ 12,505,051	$ -
Federal grants and contracts	1,223,752	-	1,302,499	-
State and local grants and contracts	142,080	-	54,866	-
Private grants and contracts	67,340	-	81,177	-
Auxiliary enterprises, net of scholarship allowance of $65,190 and $101,056 in 2021 and 2020, respectively	985,172	-	1,212,691	-
Miscellaneous	159,063	-	139,343	-
Total operating revenues	**13,294,668**	**-**	**15,295,627**	**-**
Operating expenses				
Instruction	10,771,329	-	11,149,627	-
Public service	1,081,901	-	999,457	-
Instructional support	2,081,927	-	2,607,628	-
Student services	7,460,286	215,494	7,764,516	70,257
Institutional administration	4,065,179	202,384	4,388,814	139,079
Operation and maintenance of physical plant	2,247,072	-	3,015,885	-
Information technology	1,519,319	-	1,479,603	-
Depreciation and amortization	2,542,141	-	2,472,660	-
Total operating expenses	**31,769,154**	**417,878**	**33,878,190**	**209,336**
Operating loss	**(18,474,486)**	**(417,878)**	**(18,582,563)**	**(209,336)**
Nonoperating revenues (expenses)				
State appropriations	7,062,312	-	6,415,585	-
Federal Pell grant	4,573,645	-	5,712,759	-
Federal Higher Education Emergency Relief Fund grants	5,962,052	-	492,128	-
Federal Coronavirus Relief Fund grants	581,000	-	-	-
Property taxes	2,534,971	-	2,435,460	-
Gifts	240,789	324,040	253,526	305,027
Investment (loss) income, net	(107,985)	1,272,489	380,393	131,416
Other revenue	318,930	-	141,237	-
Interest on capital asset-related debt	(143,004)	-	(74,066)	-
Gifts from Mid Michigan College Foundation	73,116	(73,116)	561,994	(561,994)
Net nonoperating revenues (expenses)	**21,095,826**	**1,523,413**	**16,319,016**	**(125,551)**
Other revenues				
Contributions to permanent endowments	-	79,525	-	60,724
Increase (decrease) in net position	**2,621,340**	**1,185,060**	**(2,263,547)**	**(274,163)**
Net position, beginning of year	19,218,919	5,159,532	21,482,466	5,433,695
Net position, end of year	**$ 21,840,259**	**$ 6,344,592**	**$ 19,218,919**	**$ 5,159,532**

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

MID MICHIGAN COLLEGE

Statements of Cash Flows

	Year Ended June 30	
	2021	2020
Cash flows from operating activities		
Tuition and fees	$ 10,123,297	$ 12,308,726
Grants and contracts	604,085	1,301,326
Auxiliary activities	985,172	1,212,691
Other receipts	210,068	253,187
Payments to suppliers	(19,607,364)	(20,031,390)
Payments to employees	(10,624,438)	(9,027,123)
Net cash used in operating activities	**(18,309,180)**	**(13,982,583)**
Cash flows from noncapital financing activities		
Direct lending receipts	5,294,785	6,681,145
Direct lending disbursements	(5,294,785)	(6,681,145)
Property tax levy	2,530,881	2,438,541
Federal Pell grants	4,573,645	5,712,759
Federal Coronavirus Relief Fund grant	581,000	-
Federal Higher Education Emergency Relief Fund grant	1,196,289	1,423,158
State appropriations	6,462,225	6,927,872
Gifts for other than capital purposes	632,835	394,763
Net cash provided by noncapital financing activities	**15,976,875**	**16,897,093**
Cash flows from capital and related financing activities		
Issuance of bonds	-	6,672,062
Purchase of capital assets	(167,176)	(10,460,683)
Principal paid on capital debt	(625,000)	(368,976)
Interest paid on capital asset-related debt	(55,648)	(53,607)
Gifts transferred from Foundation for capital projects	-	561,994
Proceeds from the sale of capital assets	-	1,583
Net cash used in capital and related financing activities	**(847,824)**	**(3,647,627)**
Cash flows from investing activities		
Proceeds from sale and maturities of investments, net	2,130,000	6,540,821
Purchase of short-term and long-term investments	(5,471,657)	(3,481,299)
Interest received on investments	73,301	294,895
Net cash (used in) provided by investing activities	**(3,268,356)**	**3,354,417**
Net (decrease) increase in cash and cash equivalents	**(6,448,485)**	**2,621,300**
Cash and cash equivalents, beginning of year	19,387,171	16,765,871
Cash and cash equivalents, end of year	**$ 12,938,686**	**$ 19,387,171**
Reconciliation to statements of net position		
Cash and cash equivalents	$ 12,867,332	$ 18,997,412
Restricted cash	71,354	389,759
Cash and cash equivalents, end of year	**$ 12,938,686**	**$ 19,387,171**

continued...

Statements of Cash Flows (Concluded)

	Year Ended June 30	
	2021	2020
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	$ (18,474,486)	$ (18,582,563)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	2,542,141	2,472,660
Bad debt recovery	-	(230,436)
Change in assets and liabilities:		
Accounts receivable, net	(876,174)	51,845
Inventories	42,598	(42,030)
Prepaid expenses and other assets	(225,528)	(12,470)
Deferred outflows of resources	2,874,984	628,730
Accounts payable	(843,011)	549,768
Accrued payroll and other compensation	(48,654)	(86,684)
Unearned revenue	(495,872)	(41,106)
Net pension and OPEB liability	(4,357,593)	742,896
Deferred inflows of resources	1,552,415	566,807
Net cash used in operating activities	**$ (18,309,180)**	**$ (13,982,583)**

concluded

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

Notes to Financial Statements

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Mid Michigan College (the "College") is a Michigan community college whose financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as applicable to public colleges and universities outlined in Governmental Accounting Standards Board (GASB) Statement No. 35 and the *Manual for Uniform Financial Reporting – Michigan Public Community Colleges, 2001.* The College reports as a business-type activity, as defined by GASB Statement No. 35. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

The College's financial statements have been prepared in accordance with GASB 61, *The Financial Reporting Entity Omnibus,* which requires examination of significant operational or financial relationships with the College. Based on the application of the criteria, the College has one component unit. A component unit is a separate legal entity that is included in the College's reporting entity because of the significance of its operational financial relationships with the College.

The Mid Michigan College Foundation (the "Foundation") is discretely presented as a separate component unit of the College's reporting entity (although it is legally separate and governed by its own board of trustees) because its sole purpose is to accept, collect, hold, and invest donations made for the promotion of educational and cultural activities at and on behalf of the College. The Foundation is a private nonprofit organization that reports under Financial Accounting Standards Board (FASB) standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. Certain modifications have been made to the Foundation's financial information in the College's financial reporting entity for the presentation differences.

Risks and Economic Uncertainties

The outbreak of a novel coronavirus (COVID-19), which the World Health Organization declared in March 2020 to be a pandemic, continues to spread throughout the United States of America and the globe. Due to the pandemic Michigan's Governor issued temporary Executive Orders that, among other stipulations, effectively prohibit certain in-person activities while requiring numerous safety measures and protocols to be met in order to resume in person learning, having the effect of suspending or severely curtailing certain operations including on-campus learning. The extent of the ultimate impact of the pandemic on the College's operational and financial performance will depend on various developments, including the duration and spread of the outbreak, and its impact on funders, students, employees, and vendors, all of which cannot be reasonably predicted at this time. In response to the pandemic, the College was awarded $2,982,099 through the Federal Coronavirus Aid, Relief and Economic Security ("CARES") Act during fiscal 2020, and $5,077,764 from the Coronavirus Response and Relief Supplemental Appropriations Act, and $8,606,763 from the American Rescue Plan Act during fiscal 2021, collectively Higher Education Emergency Relief Fund (HEERF). Additionally, the College was awarded $581,000 of Coronavirus Relief Funds (CRF) during the current fiscal year. While management reasonably expects the COVID-19 outbreak to negatively impact the College's financial condition, operating results, and timing and amounts of cash flows, the related financial consequences and duration are highly uncertain.

Significant Accounting Policies

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

Accrual Basis

The financial statements have been prepared on the accrual basis of accounting. Under the accrual basis, revenue is recognized when earned and expenditures are recognized when the related liabilities are incurred and certain measurement and matching criteria are met.

The Foundation reports under the provisions of Accounting Standards Codification (ASC) Topic 958, *Not-for-Profit Entities* . As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition and presentation features. With the exception of necessary presentation adjustments, no modifications have been made to the Foundation's financial information in the College's financial report for these differences.

Cash and Cash Equivalents

Cash and cash equivalents consist of bank demand deposits and all highly liquid investments with an initial maturity of three months or less.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances at year end. Management provides for probable uncollectible amounts through a provision for bad debt expense when necessary and an adjustment to an allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to expense.

Investments

The College and Foundation carry their investments at fair value, which is determined generally by using quoted market prices. Realized and unrealized gains and losses are reflected in the statements of revenues, expenses and changes in net position as a component of investment income. The Foundation's investment income is reported net of external investment expenses.

Fair Value Measurements

Fair value refers to the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants in the market in which the reporting entity transacts such sales or transfers based on the assumptions market participants would use when pricing an asset or liability. Assumptions are developed based on prioritizing information within a fair value hierarchy that gives the highest priority to quoted prices in active markets (level 1) and the lowest priority to unobservable data (level 3).

A description of each category in the fair value hierarchy is as follows:

Level 1: Valuation is based upon quoted prices for identical instruments traded in active markets.

Level 2: Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all-significant assumptions are observable in the market.

Level 3: Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect the estimates of assumptions that market participants would use in pricing the asset or liability.

For a further discussion of fair value measurements, refer to Note 3 to the financial statements.

Inventories

Inventories are stated at the lower of cost or market using the first-in, first-out method.

Assets Held for Sale

Assets held for sale consist of the College's Pickard building, which is no longer in use and currently held for sale. The asset is measured at the lower of cost (net book value) or market value.

Capital Assets and Depreciation

Capital assets are recorded at cost. Gifts of property are recorded at estimated acquisition value at the time gifts are received.

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

Classification	Estimated Useful Lives
Land improvements	8-15 years
Infrastructure	10-40 years
Buildings and improvements	10-40 years
Equipment	5-7 years
Vocational Education (Perkins) equipment	5-7 years
Furniture and fixtures	5-7 years
Library books	10 years
Vehicles	5-7 years
Computer and software	3-5 years

Revenue Recognition

Student tuition and related revenues and expenses of an academic semester are reported in the fiscal year in which the program is conducted. State appropriation revenue is recognized in the period for which it is appropriated. Property taxes are recorded as revenue in the year for which taxes have been levied. Restricted grant revenue is recognized only to the extent expended. Restricted and unrestricted resources are allocated to the appropriate departments within the College that are responsible for adhering to any donor restrictions. When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the College's policy is to first apply restricted net position.

Contributions of the Foundation, including unconditional promises to give in the future, are reported as unrestricted revenue when received unless use of the related assets is limited by donor-imposed restrictions. Donor promises to give in the future are recorded at the present value of estimated future cash flows. Expirations of net assets with donor restrictions (e.g., the donor-stipulated purpose has been fulfilled) are reclassified between the applicable classes of net position. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are recognized when the conditions on which they depend have been met.

Scholarship Allowance

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

Operating and Nonoperating Revenue

Operating activities reported on the statements of revenues, expenses, and changes in net position are those activities that generally result from exchange transactions, such as payments received for providing services and payments made for services or goods received. Operating revenues of the College include activities, such as (1) student tuition and fees, net of scholarship allowances; (2) auxiliary activities; and (3) most federal, state, and local grants and nonoperating revenues of the College include activities that have the characteristics of nonexchange transactions. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenue, including state appropriations, property taxes, federal Pell grant revenue, federal HEERF grant revenue, federal CRF grant revenue and gifts.

Unearned Revenue

Tuition and fees revenue received and related to periods of instruction that will occur after June 30, 2021 and 2020, have been recorded as unearned. Grants received prior to qualifying expenses are also included in unearned revenue. Generally, the College first applies restricted resources when an expense is incurred for which both restricted and unrestricted resources are available.

Classification of Expenses

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

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

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

Income Taxes

The Foundation is a not-for-profit organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and is exempt from similar state and local taxes. Although the Foundation was granted income tax exemption by the Internal Revenue Service, such exemption does not apply to “unrelated business taxable income.” The Foundation has been classified as not a private foundation.

The Foundation considers whether it has engaged in activities that jeopardize its current tax-exempt status with the Internal Revenue Service. Furthermore, the Foundation determines whether it has any unrelated business income, which may be subject to federal and state income taxes.

The Foundation has evaluated fiscal years 2018 through 2021, the years which remain subject to examination by major tax jurisdictions as of June 30, 2021, for uncertain tax positions. The Foundation concluded that there are no significant uncertain tax positions requiring recognition in the Foundation's financial statements. The Foundation does not expect the total amount of unrecognized tax benefits (“UTB”) (e.g. tax deductions, exclusions, or credits claimed or expected to be claimed) to significantly change in the next twelve months. The Foundation does not have any amounts accrued for interest and penalties related to UTBs at June 30, 2021 or 2020, and it is not aware of any claims for such amounts by federal or state income tax authorities.

Deferred Outflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to one or more future periods and so will not be recognized as an outflow of resources (expense) until then. The College reports deferred outflows of resources for certain pension and OPEB-related amounts, such as differences between expected and actual experience, changes in assumptions, net difference between projected and actual earnings on plan investments, changes in proportion and differences between employer contributions and proportionate share of contributions, and certain contributions made to the plan subsequent to the measurement date. More detailed information can be found in Note 8.

Deferred Inflows of Resources

In addition to liabilities, the statements of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The College reports deferred inflows of resources for certain pension and OPEB-related amounts, such as the difference between expected and actual experience, net difference between projected and actual earnings on plan investments, and state appropriations for pensions received subsequent to the measurement date, changes in proportion and differences between employer contributions and proportionate share of contributions. More detailed information can be found in Note 8.

Pension and Other Postemployment Benefits ("OPEB")

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

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

Net Position
GASB Statement No, 34, as amended by GASB Statement No. 63, establishes standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting into the following net position categories:

- *Net Investment in Capital Assets:* Capital assets, net of accumulated depreciation, unspent bond proceeds, and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

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

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

- *Unrestricted:* Net position that is not subject to externally imposed constraints. Unrestricted net position may be designated for specific purposes by action of management or the board of trustees (the "Board") or may otherwise be limited by contractual agreements with outside parties.

Use of Estimates
The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include but are not limited to the assumptions based on historical trends and industry standards used in the actuarial valuations of the MPSERS pension and OPEB plans and the fair value of investments.

Reclassification
Certain amounts as reported in the 2020 financial statements have been reclassified to conform with the 2021 presentation.

Subsequent Events
In preparing these financial statements, the Foundation has evaluated, for potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to June 30, 2021, the most recent statement of net position presented herein, through November 11, 2021, the date these financial statements were available to be issued. No significant such events or transactions were identified by the Foundation.

Notes to Financial Statements

2. PROPERTY TAXES

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

During the years ended June 30, 2021 and 2020, $1.2202 and $1.2232, respectively, per $1,000 of taxable property value in the College taxing district was levied for general operating purposes on all property. Total operating property tax revenue was $2,534,971 and $2,435,460 for the years ended June 30, 2021 and 2020, respectively.

3. DEPOSITS AND INVESTMENTS AND FAIR VALUE MEASUREMENTS

Deposits and Investments

State statutes and the College's investment policy authorize the College to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan; the College is allowed to invest in U.S. Treasury or agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, certain mutual funds, and investment pools that are composed of authorized investment vehicles. The College's deposits are in accordance with statutory authority.

Fair Value Measurements

The College and the Foundation utilize fair value measurements to record fair value adjustments to their investment securities and to determine fair value disclosures. These assets are recorded at fair value on a recurring basis.

The following is a description of the valuation methodology used for assets recorded at fair value. The description includes an indication of the level of the fair value hierarchy in which the assets are classified. There have been no changes in the methodologies used at June 30, 2021 or 2020.

College

U.S. government obligations : Level 2 fair value measurement is based upon the closing price reported in the active market in which the individual securities are traded.

Certificates of deposit : Valued at face value plus accrued interest earned and classified as Level 2.

Foundation

U.S. treasury securities : Valued based on similar date values or market prices and classified as Level 2.

Certificates of deposit : Valued at face value plus accrued interest earned and classified as Level 2.

Corporate bonds : Valued at face value plus accrued interest earned and classified as Level 2.

Notes to Financial Statements

Mutual funds : Shares held in mutual funds are valued at quoted market prices that represent the net asset value ("NAV") of shares held by the Foundation at year end and are classified as Level 2. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities then divided by the number of shares outstanding.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the College and Foundation believe their valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the College's investments measured at fair value on a recurring basis as of June 30:

	Assets at Fair Value			
2021	**Level 1**	**Level 2**	**Level 3**	**Total**
U.S. government obligations	$ -	$ 3,336,750	$ -	$ 3,336,750
Certificates of deposit (participating)	-	2,381,701	-	2,381,701
Certificates of deposit (not participating)	-	1,248,039	-	1,248,039
Total investments	**$ -**	**$ 6,966,490**	**$ -**	**$ 6,966,490**

	Assets at Fair Value			
2020	**Level 1**	**Level 2**	**Level 3**	**Total**
U.S. government obligations	$ -	$ 1,750,500	$ -	$ 1,750,500
Certificates of deposit (participating)	-	1,293,093	-	1,293,093
Certificates of deposit (not participating)	-	1,238,821	-	1,238,821
Total investments	**$ -**	**$ 4,282,414**	**$ -**	**$ 4,282,414**

Notes to Financial Statements

The following tables set forth by level, within the fair value hierarchy, the Foundation's investments measured at fair value on a recurring basis as of June 30:

2021	Assets at Fair Value			
	Level 1	Level 2	Level 3	Total
Debt securities				
U.S. treasury securities	$ -	$ 60,422	$ -	$ 60,422
Certificate of deposits (participating)	-	280,356	-	280,356
Corporate bonds	-	691,672	-	691,672
Total debt securities	**-**	**1,032,450**	**-**	**1,032,450**
Equity securities				
Fixed income mutual funds	-	203,233	-	203,233
Domestic mutual funds	-	1,786,309	-	1,786,309
International mutual funds	-	557,675	-	557,675
Open-end mutual funds	-	2,220,999	-	2,220,999
Total equity securities	**-**	**4,768,216**	**-**	**4,768,216**
Total investments	**$ -**	**$ 5,800,666**	**$ -**	**$ 5,800,666**

2020	Assets at Fair Value			
	Level 1	Level 2	Level 3	Total
Debt securities				
U.S. treasury securities	$ -	$ 56,958	$ -	$ 56,958
Certificate of deposits (participating)	-	360,992	-	360,992
Corporate bonds	-	758,797	-	758,797
Total debt securities	**-**	**1,176,747**	**-**	**1,176,747**
Equity securities				
Domestic mutual funds	-	1,212,678	-	1,212,678
International mutual funds	-	418,389	-	418,389
Open-end mutual funds	-	1,610,475	-	1,610,475
Total equity securities	**-**	**3,241,542**	**-**	**3,241,542**
Total investments	**$ -**	**$ 4,418,289**	**$ -**	**$ 4,418,289**

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. There is not a formal policy limiting investment maturities. See the maturity schedule for the College's investments summarized below:

As of June 30, 2021, the College had the following investments and maturities:

	Fair Market Value	Less Than One Year	1-5 Years	6-10 Years	More Than 10 Years
Certificates of deposit	$ 3,629,740	$ 1,248,057	$ 626,005	$ 1,451,183	$ 304,495
U.S. government obligations	3,336,750	-	-	1,167,535	2,169,215
Total	**$ 6,966,490**	**$ 1,248,057**	**$ 626,005**	**$ 2,618,718**	**$ 2,473,710**

As of June 30, 2020, the College had the following investments and maturities:

	Fair Market Value	Less Than One Year	1-5 Years	6-10 Years	More Than 10 Years
Certificates of deposit	$ 2,531,914	$ 1,268,821	$ 589,093	$ 251,085	$ 413,915
U.S. government obligations	1,750,500	-	-	1,750,500	-
Total	**$ 4,282,414**	**$ 1,268,821**	**$ 589,093**	**$ 2,001,585**	**$ 413,915**

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be available or returned. The College’s investment policy requires that financial institutions be evaluated and only those with an acceptable risk level for custodial credit risk be used for the College’s deposits. As of June 30, 2021, the College’s deposit balances of $17,041,444 had $14,511,007 of bank deposits (money markets, certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. As of June 30, 2020, the College’s deposit balances of $22,320,703 had $20,039,409 of bank deposits (money markets, certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The College believes that due to the dollar amount of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits.

As a result, the College evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments

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

Foreign Currency Risk
There are no foreign investments held by the College.

Concentration of Credit Risk
Concentration of credit risk is the risk of loss attributed to the magnitude of the organization's investment in a single issuer. The College does not have a policy limiting the amount the College is allowed to invest in any one issuer; however; the College evaluates each issuer with which it invests funds and assesses the level of risk of each issuer. The College invests only in those issuers with an acceptable estimated risk level.

4. ACCOUNTS RECEIVABLE, NET

Accounts receivable, net consist of the following at June 30:

	2021	2020
Student	$ 517,683	$ 388,402
Federal and state grants	6,323,140	795,630
State appropriations	1,228,805	628,718
Property taxes	98,097	94,042
Other	266,753	250,418
Total accounts receivables	**8,434,478**	**2,157,210**
Less allowance for doubtful accounts	(301,482)	(270,293)
Net accounts receivable	**$ 8,132,996**	**$ 1,886,917**

All amounts deemed to be uncollectible are charged directly against income in the period that determination is made. Management's periodic evaluation of the adequacy of the allowance is based on the College's past collection experience, adverse situations that may affect the student's ability to repay, and current economic conditions.

5. PLEDGES RECEIVABLE - FOUNDATION

Pledges receivable consist of unconditional promises to give toward Laker Academics and various scholarships and programs. Pledges receivable consist of the following at June 30:

	2021	2020
Receivable in less than one year	$ 16,248	$ 30,709
Receivable in one to five years	55,000	4,987
Pledges receivable, net	**$ 71,248**	**$ 35,696**

Based on management's assessment, it has estimated that realization of losses on balances outstanding at year-end and the discount on multiyear pledges will not be significant.

6. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2021, was as follows:

	Balance July 1, 2020	Additions	Retirements	Transfers	Balance June 30, 2021
Capital assets not being depreciated:					
Land	**$ 2,807,064**	**$ -**	**$ -**	**$ (220,000)**	**$ 2,587,064**
Capital assets being depreciated:					
Land improvements	2,351,188	-	-	(371,741)	1,979,447
Infrastructure	1,685,796	-	-	(113,200)	1,572,596
Buildings and improvements	69,778,160	-	(33,818)	(2,913,114)	66,831,228
Equipment	3,348,037	141,339	-	-	3,489,376
Perkins equipment	2,147,741	59,655	-	-	2,207,396
Furniture and fixtures	3,103,582	-	(24,443)	-	3,079,139
Library books	1,125,463	-	-	-	1,125,463
Vehicles	355,464	-	(19,195)	-	336,269
Computer and software	3,512,888	-	-	-	3,512,888
Subtotal depreciable assets	**87,408,319**	**200,994**	**(77,456)**	**(3,398,055)**	**84,133,802**
Total depreciable and nondepreciable assets	**90,215,383**	**200,994**	**(77,456)**	**(3,618,055)**	**86,720,866**
Less accumulated depreciation:					
Land improvements	1,952,692	78,346	-	(371,739)	1,659,299
Infrastructure	1,004,428	59,985	-	(103,355)	961,058
Buildings and improvements	26,496,229	1,979,016	-	(2,727,263)	25,747,982
Equipment	2,864,493	119,741	-	-	2,984,234
Perkins equipment	1,693,624	119,862	-	-	1,813,486
Furniture and fixtures	2,667,855	124,020	(24,443)	-	2,767,432
Library books	1,125,463	-	-	-	1,125,463
Vehicles	311,370	17,263	(19,195)	-	309,438
Computer and software	3,468,726	43,908	-	-	3,512,634
Total accumulated depreciation	**41,584,880**	**2,542,141**	**(43,638)**	**(3,202,357)**	**40,881,026**
Capital assets, net	**$ 48,630,503**	**$ (2,341,147)**	**$ (33,818)**	**$ (415,698)**	**$ 45,839,840**

Capital assets activity for the year ended June 30, 2020, was as follows:

	Balance July 1, 2019	Additions	Retirements	Balance June 30, 2020
Capital assets not being depreciated:				
Land	$ 2,807,064	$ -	$ -	$ 2,807,064
Construction in progress	3,147,047	-	(3,147,047)	-
Subtotal nondepreciable assets	**5,954,111**	**-**	**(3,147,047)**	**2,807,064**
Capital assets being depreciated:				
Land improvements	2,351,188	-	-	2,351,188
Infrastructure	1,685,796	-	-	1,685,796
Buildings and improvements	56,367,340	13,410,820	-	69,778,160
Equipment	3,339,041	25,150	(16,154)	3,348,037
Perkins equipment	2,010,333	137,408	-	2,147,741
Furniture and fixtures	3,103,582	-	-	3,103,582
Library books	1,125,463	-	-	1,125,463
Vehicles	321,112	34,352	-	355,464
Computer and software	3,512,888	-	-	3,512,888
Subtotal depreciable assets	**73,816,743**	**13,607,730**	**(16,154)**	**87,408,319**
Total depreciable and nondepreciable assets	**79,770,854**	**13,607,730**	**(3,163,201)**	**90,215,383**
Less accumulated depreciation:				
Land improvements	1,861,124	91,568	-	1,952,692
Infrastructure	944,161	60,267	-	1,004,428
Buildings and improvements	24,673,274	1,822,955	-	26,496,229
Equipment	2,769,126	109,938	(14,571)	2,864,493
Perkins equipment	1,591,012	102,612	-	1,693,624
Furniture and fixtures	2,521,304	146,551	-	2,667,855
Library books	1,125,463	-	-	1,125,463
Vehicles	300,982	10,388	-	311,370
Computer and software	3,340,345	128,381	-	3,468,726
Total accumulated depreciation	**39,126,791**	**2,472,660**	**(14,571)**	**41,584,880**
Capital assets, net	**$ 40,644,063**	**$ 11,135,070**	**$ (3,148,630)**	**$ 48,630,503**

The College has some property that was financed through the issuance of bonds by the State of Michigan Building Authority (SBA). The SBA bonds are secured by a pledge of rentals to be received from the State of Michigan pursuant to a lease agreement entered into among the SBA, the State of Michigan, and the College. During the lease term, the SBA will hold title to the property, the State of Michigan will make all lease payments to the SBA, and the College will be responsible for all operating and maintenance costs. At the expiration of the lease, the SBA will transfer the title of the buildings to the College. The cost and accumulated depreciation for these facilities are included in the accompanying statements of net position.

During fiscal year 2014, the College put the Pickard building and related assets up for sale. These assets are no longer depreciated and have been classified as capital assets held for sale on the accompanying statement of net position. There was no impairment recorded as of June 30, 2021. The College has a purchase agreement for these assets and is scheduled to close on the sale in December 2021.

7. LONG-TERM OBLIGATIONS

Long-term obligation activity for the year ended June 30, 2021, was as follows:

	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021	Current Portion
Bond payable					
2006 Community College Facilities Bonds	$ 295,000	$ -	$ (295,000)	$ -	$ -
2020 Community College Facilities Bonds	6,575,000	-	(330,000)	6,245,000	330,000
Total bonds payable	**6,870,000**	**-**	**(625,000)**	**6,245,000**	**330,000**
Deferred amounts					
Unamortized bond premium	97,062	-	(4,853)	92,209	4,853
Other	36,187	-	(36,187)	-	-
Total long-term obligations	**$ 7,003,249**	**$ -**	**$ (666,040)**	**$ 6,337,209**	**$ 334,853**

Long-term obligation activity for the year ended June 30, 2020, was as follows:

	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020	Current Portion
Bond payable					
2006 Community College Facilities Bonds	$ 580,000	$ -	$ (285,000)	$ 295,000	$ 295,000
2020 Community College Facilities Bonds	-	6,575,000	-	6,575,000	330,000
Total bonds payable	**580,000**	**6,575,000**	**(285,000)**	**6,870,000**	**625,000**
Deferred amounts					
Unamortized Bond Premium	-	97,062	-	97,062	4,853
Other	120,163	-	(83,976)	36,187	36,187
Total long-term obligations	**$ 700,163**	**$ 6,672,062**	**$ (368,976)**	**$ 7,003,249**	**$ 666,040**

Bond principal and interest are payable from the proceeds of ad valorem taxes levied on all taxable properties in the College's taxing district without limitation as to rate or amount.

2020 General Obligation, Limited Bond

In February 2020, the College issued $6,575,000 of 2020 community college facilities general obligation limited bonds for the Harrison campus renovation. The bonds bear interest ranging from 2.00 to 2.25 percent and require semi-annual payments of $330,000 through 2040.

2006 General Obligation, Limited Bond

In August 2006, the College issued $5,500,00 of 2006 community college facilities general obligation limited bonds for the purpose of funding a 50 percent match required by the State of Michigan for capital outlay projects. The bonds bear interest ranging from 3.80 to 3.95 percent and require semi-annual payments of $295,000. These bonds were paid in full during fiscal year 2021.

Debt Maturity

Total principal and interest maturities on the bond obligations as of June 30, 2021 are as follows:

	Debt Obligations		
Year Ending June 30,	**Principal**	**Interest**	**Total**
2022	$ 330,000	$ 124,050	$ 454,050
2023	330,000	117,450	447,450
2024	330,000	110,850	440,850
2025	330,000	104,250	434,250
2026	330,000	97,650	427,650
2027-2031	1,640,000	389,850	2,029,850
2032-2036	1,645,000	225,600	1,870,600
2037-2040	1,310,000	57,901	1,367,901
Totals	**$ 6,245,000**	**$ 1,227,601**	**$ 7,472,601**

8. RETIREMENT PLAN

Defined Benefit Plan

Plan Description

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

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

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

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

Pension Benefits Provided

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

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

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

Other Postemployment Benefits Provided

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

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

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

Contributions

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2019 valuation will be amortized over a 19-year period beginning October 1, 2019 and ending September 30, 2038.

The table below summarizes pension contribution rates in effect for fiscal year 2021, which excludes supplemental MPSERS UAAL employer stabilization contributions that are passed through the College to MPSERS based on rates ranging from 12.41% - 12.51% on prior year covered payroll:

Benefit Structure	Member Rates	Employer Rates
Basic	0.00% - 4.00%	19.41% - 19.78%
Member Investment Plan (MIP)	3.00% - 7.00%	19.41% - 19.78%
Pension Plus	3.00% - 6.40%	16.46% - 16.82%
Pension Plus 2	6.20%	19.59%
Defined Contribution	0.00%	13.39%

Required contributions to the pension plan from the College were $3,148,722, $3,141,249 and $3,244,109 for the years ended June 30, 2021, 2020 and 2019, respectively.

The table below summarizes OPEB contribution rates in effect for fiscal year 2021:

Benefit Structure	Member Rates	Employer Rates
Premium Subsidy	3.00%	8.09 - 8.43%
Personal Healthcare Fund (PHF)	0.00%	7.57%

Required contributions to the OPEB plan from the College were $728,447, $761,568 and $814,745 for the years ended June 30, 2021, 2020 and 2019, respectively.

The table below summarizes defined contribution rates in effect for fiscal year 2021:

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

For the years ended June 30, 2021, 2020 and 2019, required and actual contributions from the College for those members with a defined contribution benefit were $104,151, $118,908 and $121,398, respectively.

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

At June 30, 2021 and 2020, the College reported a liability of $38,180,403 and $39,838,001, respectively, for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2020 and 2019, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2019 and 2018, respectively. The College’s proportion of the net pension liability was determined by dividing each employer’s statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2020, the College’s proportion was 0.11115%, which was a decrease of 0.00915% points from its proportion measured as of September 30, 2019 of 0.12030%.

For the year ended June 30, 2021, the College recognized pension expense of $4,390,717. At June 30, 2021, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

2021	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	$ 583,365	$ 81,490	$ 501,875
Changes in assumptions	4,230,757	-	4,230,757
Net difference between projected and actual earnings on pension plan investments	160,417	-	160,417
Changes in proportion and differences between employer contributions and proportionate share of contributions	7,186	3,145,177	(3,137,991)
	4,981,725	3,226,667	1,755,058
College contributions subsequent to the measurement date	2,816,377	-	2,816,377
Pension portion of Sec 147c state aid award subsequent to the measurement date	-	1,449,013	(1,449,013)
	2,816,377	1,449,013	1,367,364
Total	**$ 7,798,102**	**$ 4,675,680**	**$ 3,122,422**

The $2,816,377 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. The $1,449,013 reported as deferred inflows of resources resulting from the pension portion of state aid payments received pursuant to Sec 147c of the State School Aid Act (PA 94 of 1979), will be recognized as state appropriations revenue for the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	Amount
2022	$ 1,064,008
2023	595,241
2024	114,786
2025	(18,977)
Total	**$ 1,755,058**

For the year ended June 30, 2020, the College recognized pension expense of $5,772,021. At June 30, 2020, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

2020	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**	**Net Deferred Outflows (Inflows) of Resources**
Differences between expected and actual experience	$ 178,567	$ 166,121	$ 12,446
Changes in assumptions	7,800,309	-	7,800,309
Net difference between projected and actual earnings on pension plan investments	-	1,276,740	(1,276,740)
Changes in proportion and differences between employer contributions and proportionate share of contributions	103,976	1,891,960	(1,787,984)
	8,082,852	3,334,821	4,748,031
College contributions subsequent to the measurement date	2,711,401	-	2,711,401
Pension portion of Sec. 147c state aid award subsequent to the measurement date	-	1,341,103	(1,341,103)
Total	**$ 10,794,253**	**$ 4,675,924**	**$ 6,118,329**

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

At June 30, 2021 and 2020, the College reported a liability of $5,672,852 and $8,372,847, respectively, for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2020 and 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by actuarial valuations rolled forward from September 30, 2019 and 2018, respectively. The College’s proportion of the net OPEB liability was determined by dividing each employer’s statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2019, the College’s proportion was 0.10589%, which was a decrease of 0.01076% points from its proportion measured as of September 30, 2019 of 0.11665%.

For the year ended June 30, 2021, the College recognized an OPEB benefit of $507,811. At June 30, 2021, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

2021	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	$ -	$ 4,226,805	$ (4,226,805)
Change in assumptions	1,870,452	-	1,870,452
Net difference between projected and actual earnings on OPEB plan investments	47,346	-	47,346
Changes in proportion and differences between employer contributions and proportionate share of contributions	17,564	1,397,739	(1,380,175)
	1,935,362	5,624,544	(3,689,182)
College contributions subsequent to the measurement date	586,013	-	586,013
Total	**$ 2,521,375**	**$ 5,624,544**	**$ (3,103,169)**

The $586,013 reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30	Amount
2022	$ (977,988)
2023	(914,520)
2024	(770,189)
2025	(583,412)
2026	(443,073)
Total	**$ (3,689,182)**

For the year ended June 30, 2020, the College recognized OPEB expense of $11,598. At June 30, 2020, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

2020	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	$ -	$ 3,072,234	$ (3,072,234)
Change in assumptions	1,814,227	-	1,814,227
Net difference between projected and actual earnings on OPEB plan investments	-	145,608	(145,608)
Changes in proportionate share or difference between amount contributed and proportionate share of contributions	12,020	854,043	(842,023)
	1,826,247	4,071,885	(2,245,638)
College contributions subsequent to the measurement date	573,961	-	573,961
Total	**$ 2,400,208**	**$ 4,071,885**	**$ 6,472,093**

Actuarial Assumptions

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

The total pension and OPEB liabilities in the September 30, 2020 and 2019 actuarial valuations (for the fiscal years ended June 30, 2021 and 2020) were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age, normal
Wage inflation rate	2.75%
Investment rate of return:	
MIP and Basic plans (non-hybrid)	6.80%
Pension Plus plan (hybrid)	6.80%
Pension Plus 2 plan (hybrid)	6.00%
OPEB plans	6.95%
Projected salary increases	2.75% - 11.55%, including wage inflation at 2.75%
Cost of living adjustments	3% annual non-compounded for MIP members
Healthcare cost trend rate	7.0% Year 1 graded to 3.5% Year 15; 3.0% Year 120 (7.5% Year 1 graded to 3.5% Year 12 for 2018)
Mortality	RP-2014 Male and Female Employee Annuitant Mortality Tables, adjusted for mortality improvements using projection scale MP-2017 from 2006. For retirees, the tables were scaled by 82% for males and 78% for females. For active members, 100% of the table rates were used for both males and females.
Other OPEB assumptions:	
Opt-out assumptions	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt-out of the retiree health plan.
Survivor coverage	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death.
Coverage election at retirement	75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2017 valuation. The total pension and OPEB liabilities as of September 30, 2020, are based on the results of an actuarial valuation date of September 30, 2019, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for pension liabilities is 4.4892 years which is the average of the expected remaining service lives of all employees. The recognition period for OPEB liabilities is 5.9870 years which is the average of the expected remaining service lives of all employees. The recognition period for assets is 5 years.

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

Long-Term Expected Return on Pension Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2020 and 2019, are summarized in the following tables:

2020 Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	25.00%	5.29%	1.32%
Private equity pools	16.00%	8.78%	1.40%
International equity pools	15.00%	6.98%	1.05%
Fixed income pools	10.50%	0.47%	0.05%
Real estate and infrastructure pools	10.00%	4.62%	0.46%
Absolute return pools	9.00%	3.02%	0.27%
Real return/opportunistic pools	12.50%	6.23%	0.78%
Short-term investment pools	2.00%	-0.09%	0.00%
	100.00%		5.33%
Inflation			2.10%
Risk adjustment			-0.63%
Investment rate of return			**6.80%**

2019 Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	28.00%	5.50%	1.54%
Private equity pools	18.00%	8.60%	1.55%
International equity pools	16.00%	7.30%	1.17%
Fixed income pools	10.50%	1.20%	0.13%
Real estate and infrastructure pools	10.00%	4.20%	0.42%
Absolute return pools	15.50%	5.40%	0.84%
Short-term investment pools	2.00%	0.08%	0.00%
	100.00%		5.65%
Inflation			2.30%
Risk adjustment			-1.15%
Investment rate of return			**6.80%**

Long-term Expected Return on OPEB Plan Assets

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2020 and 2019, are summarized in the following tables:

Notes to Financial Statements

2020 Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	25.00%	5.29%	1.32%
Private equity pools	16.00%	8.78%	1.40%
International equity pools	15.00%	6.98%	1.05%
Fixed income pools	10.50%	0.47%	0.05%
Real estate and infrastructure pools	10.00%	4.62%	0.46%
Absolute return pools	9.00%	3.02%	0.27%
Real return/opportunistic pools	12.50%	6.23%	0.78%
Short-term investment pools	2.00%	-0.09%	0.00%
	100.00%		5.33%
Inflation			2.10%
Risk adjustment			-0.48%
Investment rate of return			**6.95%**

2019 Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	28.00%	5.50%	1.54%
Private equity pools	18.00%	8.60%	1.55%
International equity pools	16.00%	7.30%	1.17%
Fixed income pools	10.50%	1.20%	0.13%
Real estate and infrastructure pools	10.00%	4.20%	0.42%
Absolute return pools	15.50%	5.40%	0.84%
Short-term investment pools	2.00%	0.08%	0.00%
	100.00%		5.65%
Inflation			2.30%
Risk adjustment			-1.00%
Investment rate of return			**6.95%**

Rate of Return

For the fiscal year ended September 30, 2020, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 5.37% and 5.24%, respectively. For the fiscal year ended September 30, 2019, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 5.14% and 5.37%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

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

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

The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 6.80% (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan), as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher as of June 30, 2021:

	1% Decrease (5.80% / 5.80% / 5.00%)	Current Discount Rate (6.80% / 6.80% / 6.00%)	1% Increase (7.80% / 7.80% / 7.00%)
College's proportionate share of the net pension liability	$ 49,418,055	$ 38,180,403	$ 28,866,894

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

	1% Decrease (5.80% / 5.80% / 5.00%)	Current Discount Rate (6.80% / 6.80% / 6.00%)	1% Increase (7.80% / 7.80% / 7.00%)
College's proportionate share of the net pension liability	$ 51,791,949	$ 39,838,001	$ 29,927,765

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

The following presents the College's proportionate share of the net OPEB liability calculated using the discount rate of 6.95%, as well as what the College's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher as of June 30, 2021:

	1% Decrease (5.95%)	Current Discount Rate (6.95%)	1% Increase (7.95%)
College's proportionate share of the net OPEB liability	$ 7,287,424	$ 5,672,852	$ 4,313,519

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

	1% Decrease (5.95%)	Current Discount Rate (6.95%)	1% Increase (7.95%)
College's proportionate share of the net OPEB liability	$ 10,270,555	$ 8,372,847	$ 6,779,300

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

The following presents the College's proportionate share of the net OPEB liability calculated using the assumed trend rates, as well as what the College's proportionate share of the net OPEB liability would be if it were calculated using a trend rate that is 1 percentage point lower or 1 percentage higher as of June 30, 2021:

	1% Decrease (6.0%)	Current Healthcare Cost Trend Rate (7.0%)	1% Increase (8.0%)
College's proportionate share of the net OPEB liability	$ 4,261,472	$ 5,672,852	$ 7,278,123

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

	1% Decrease (6.5%)	Current Healthcare Cost Trend Rate (7.5%)	1% Increase (8.5%)
College's proportionate share of the net OPEB liability	$ 6,711,740	$ 8,372,847	$ 10,270,330

Pension and OPEB Plans Fiduciary Net Position

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

Payable to the Pension Plan

As of June 30, 2021, the College reported a payable of $315,547 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2021. At June 30, 2020, the College reported a payable of $241,612 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2020.

Payable to the OPEB Plan

At June 30, 2021, the College reported a payable of $22,325 for the outstanding amount of OPEB contributions to the Plan required for the year ended June 30, 2021. At June 30, 2020, the College reported a payable of $24,988 for the outstanding amount of OPEB contributions to the Plan required for the year ended June 30, 2020.

Defined Contribution Plan

As an alternative to the MPSERS option, the College offers all full-time faculty and administrative employees the opportunity to participate in the Teachers' Insurance and Annuity Association - College Retirement Equities Fund (TIAA-CREF). Funding for the plan consists of employer and employee contributions of 15.00% - 13.06% and 4.00% for the years ended June 30, 2021 and 2020, respectively. As of June 30, 2021 and 2020, the plan had 25 and 23 members respectively. Benefits are vested immediately. Compensation covered under the plan for the year ended June 30, 2021 was $1,545,547, resulting in contributions of $327,778 and $66,217 from the College and employees, respectively. Compensation covered under the plan for the year ended June 30, 2020 was $1,260,646, resulting in contributions of $282,992 and $43,912 from the College and employees, respectively.

9. RISK MANAGEMENT

Risk-Sharing Programs

The Michigan Community College Risk Management Authority ("MCCRMA") 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. Although premiums are paid annually to MCCRMA, which MCCRMA uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the College.

The College is self-insured for certain dental benefits paid on behalf of its employees. Effective January 1, 2016, the College is also self-insured for certain medical benefits paid on behalf of its employees. Payments are made to the third-party plan administrator based on actual claims. A startup amount is expected to cover claims that have been incurred but not reported. The College has employed an outside consultant to monitor the plan. Expenditures related to the dental plans during the year ended June 30, 2021 and 2020 totaled $91,277 and $52,429, respectively. Expenses related to the medical plan during the years ended June 30, 2021 and 2020 totaled $1,771,677 and $1,471,888 respectively, which includes an estimate of claims incurred but not reported at June 30, 2021 and 2020.

	Dental Liability		
	2021	**2020**	**2019**
Unpaid claims - beginning of year	$ 11,307	$ 38,861	$ -
Incurred claims	91,277	52,429	134,321
Claims payments	(94,399)	(79,983)	(95,460)
Unpaid claims - end of year	**$ 8,185**	**$ 11,307**	**$ 38,861**

	Health Liability		
	2021	2020	2019
Unpaid claims - beginning of year	$ 64,879	$ 38,732	$ 40,846
Incurred claims	1,771,677	1,471,888	1,373,544
Claims payments	(1,776,465)	(1,445,741)	(1,375,658)
Unpaid claims - end of year	**$ 60,091**	**$ 64,879**	**$ 38,732**

10. CONTINGENCIES

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

11. FOUNDATION LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statements of net position date, comprise the following for the Foundation as of June 30:

	2021	2020
Financial assets		
Cash and cash equivalents	$ 772,248	655,360
Accounts receivable, net	16,248	30,709
Short-term investments	4,507,579	3,212,398
	5,296,075	3,898,467
Less amounts unavailable for general expenditures within one year due to:		
Net position with donor restrictions	439,795	438,968
Total financial assets available for general use within one year	**$ 4,856,280**	**$ 3,459,499**

The endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

12. FUNCTIONAL ALLOCATION OF EXPENSES - FOUNDATION

The tables below present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses are generally allocated between program services and supporting services based on specific identification. The Foundation's program services and supporting services expenses are included in student services and institutional administration expenses, respectively, in the accompanying statements of revenues, expenses, and changes in net position.

	Year Ended June 30, 2021			
		Supporting Services		
	Program Services	Management and General	Fundraising	Total
Scholarships and grants	$ 215,494	$ -	$ -	$ 215,494
Personnel services received from College	-	17,500	-	17,500
Operations	-	1,445	-	1,445
Professional fees	-	-	-	-
Travel and meeting	-	6,696	-	6,696
Other	-	176,743	-	176,743
Total expenses	**$ 215,494**	**$ 202,384**	**$ -**	**$ 417,878**

	Year Ended June 30, 2020			
		Supporting Services		
	Program Services	Management and General	Fundraising	Total
Scholarships and grants	$ 70,257	$ -	$ -	$ 70,257
Personnel services received from College	-	17,500	-	17,500
Operations	-	11,139	-	11,139
Professional fees	-	-	-	-
Travel and meeting	-	40,977	-	40,977
Other	-	69,463	-	69,463
Total expenses	**$ 70,257**	**$ 139,079**	**$ -**	**$ 209,336**

13. MID MICHIGAN COLLEGE FOUNDATION

Mid Michigan College Foundation (the "Foundation") is a legally separate, tax-exempt component unit of Mid Michigan College (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 of the Foundation is self-perpetuating and consists of graduates and friends of the College. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, which 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 discretely presented in the College's financial statements.

Financial information for the Foundation is reported using accounting principles generally accepted in the United States of America for not-for-profit entities. Specific differences from the College are related to the reporting of promises to give and grants payable, which are reported when they are unconditional. At June 30, 2021 and 2020, the stated value of the net position of the Foundation totaled $6,344,592 and $5,159,532, respectively.

During fiscal 2020, the Board of Directors designated net assets for a specific purpose. The board designated net assets was $1,223,922 and $1,302,994 at June 30, 2021 and 2020, respectively.

Restricted net position consists of the following at June 30:

	2021	2020
Expendable for specified purpose:		
Scholarships and grants	$ 118,052	$ 74,502
Athletics	133,101	98,731
	251,153	173,233
Nonexpendable endowments		
Subject to endowment spending policy and appropriation:		
Scholarships and grants	1,293,087	1,205,891
Accumulated investment gains	188,642	265,735
Total restricted net position	**$ 1,732,882**	**$ 1,644,859**

Changes in net assets with donor restrictions, subject to expenditures for specified purpose for the years ended June 30 consist of the following:

	2021	2020
Subject to expenditures for specified purpose, beginning of year	$ 173,233	$ 568,196
Net investment gain	2,003	3,301
Contributions	146,689	181,374
Amounts appropriated for expenditure	(70,772)	(579,638)
Subject to expenditures for specified purpose, end of year	**$ 251,153**	**$ 173,233**

Contributions to and payments on behalf of the College by the Foundation approximated $129,000 and $392,000 in the fiscal years ended June 30, 2021 and 2020, respectively.

14. FOUNDATION ENDOWMENT

The Foundation's permanent endowments consist of 26 individual, donor-restricted funds established for student scholarships. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Foundation has interpreted the State of Michigan Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, net assets with donor restrictions consist of the original value of gifts to the endowment and the original value of subsequent gifts to the endowment. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by use in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

From time to time, certain donor-restricted endowment funds may have fair values less than the amounts required to be maintained by donors or by law (underwater endowments). The Foundation has interpreted SPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At June 30, 2021 and 2020, the Foundation did not have any underwater endowments.

Endowment net asset composition by type of fund as of June 30:

	2021	2020
Endowment funds with donor restrictions:		
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	$ 1,293,087	$ 1,205,891
Accumulated investment gains	188,642	265,735
	$ 1,481,729	**$ 1,471,626**

Changes in endowment net assets all of which are donor restricted for the years ended June 30:

	2021	2020
Endowment net assets - beginning of year	$ 1,471,626	$ 1,361,487
Contributions	82,360	65,416
Net investment return	33,230	74,013
Appropriation of endowment assets for expenditure	(105,487)	(29,290)
Endowment net assets, end of year	**$ 1,481,729**	**$ 1,471,626**

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 to programs supported by its endowment 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. Under this policy, as approved by the board of directors, the endowment assets are invested to achieve the primary objective of being the safety of principal and secondary objective being income and growth.

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 has implemented the following guidelines to achieve a diversified asset allocation of 40-60 percent for equity investments and 30-60 percent fixed income assets. Exposure within each asset class is determined by (1) the Foundation's investment objectives and risk tolerance, (2) the prevailing relative valuation between the primary competing assets classes (fixed income and equities), and (3) the fundamental strength of the economy.

Spending Policy and How the Investment Objectives Relate to Spending Policy

Through a resolution by the Foundation's board of trustees, the Foundation distributes income from unrestricted endowed funds of no more than 5 percent of a five-year moving average of the market value of the unrestricted investment portfolio (calculated using the prior five June 30 year-end financial reports). In the event that current income does not provide for a 5 percent distribution, income remaining after any fees can be distributed. This amount may be supplemented with previously accumulated retained earnings at the discretion of the Foundation.

■ ■ ■ ■ ■

REQUIRED SUPPLEMENTARY INFORMATION
MPSERS COST-SHARING MULTIPLE-EMPLOYER PLANS

Required Supplementary Information

MPSERS Cost-Sharing Multiple-Employer Plans

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

	Year Ended June 30						
	2021	2020	2019	2018	2017	2016	2015
College's proportionate share of the net pension liability	$ 38,180,403	$ 39,838,001	$ 37,712,126	$ 33,486,216	$ 33,215,904	$ 31,889,650	$ 27,506,796
College's proportion of the net pension liability	0.11115%	0.12030%	0.12545%	0.12922%	0.13313%	0.13056%	0.12488%
College's covered payroll	$ 9,412,354	$ 10,226,605	$ 10,467,092	$ 10,680,453	$ 10,950,681	$ 11,213,512	$ 10,752,276
College's proportionate share of the net pension liability as a percentage of its covered payroll	405.64%	389.55%	360.29%	313.53%	303.32%	284.39%	255.82%
Plan fiduciary net position as a percentage of the total pension liability	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

See notes to required supplementary information.

Required Supplementary Information

MPSERS Cost-Sharing Multiple-Employer Plans

Schedule of the College's Pension Contributions

	Year Ended June 30						
	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	$ 3,148,722	$ 3,141,249	$ 3,244,109	$ 3,250,205	$ 3,377,041	$ 1,730,616	$ 2,338,748
Contributions in relation to the statutorily required contribution	(3,148,722)	(3,141,249)	(3,244,109)	(3,250,205)	(3,377,041)	(1,730,616)	(2,338,748)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
College's covered payroll	$ 8,931,926	$ 9,471,765	$ 10,381,069	$ 10,626,075	$ 11,163,086	$ 11,091,555	$ 11,091,555
Contributions as a percentage of covered payroll	35.25%	33.16%	31.25%	30.59%	30.25%	15.60%	21.09%

See notes to required supplementary information.

Required Supplementary Information

MPSERS Cost-Sharing Multiple-Employer Plans

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

	Year Ended June 30			
	2021	2020	2019	2018
College's proportionate share of the net OPEB liability	$ 5,672,852	$ 8,372,847	$ 9,755,826	$ 11,466,702
College's proportion of the net OPEB liability	0.10589%	0.11665%	0.12273%	0.12949%
College's covered payroll	$ 9,412,354	$ 10,226,605	$ 10,467,092	$ 10,680,453
College's proportionate share of the net OPEB liability as a percentage of its covered payroll	60.27%	81.87%	93.20%	107.36%
Plan fiduciary net position as a percentage of the total OPEB liability	59.44%	48.46%	42.95%	36.39%

See notes to required supplementary information.

Required Supplementary Information

MPSERS Cost-Sharing Multiple-Employer Plans

Schedule of the College's Other Postemployment Benefits Contributions

	Year Ended June 30			
	2021	2020	2019	2018
Statutorily required contribution	$ 728,447	$ 761,568	$ 814,745	$ 766,977
Contributions in relation to the statutorily required contribution	(728,447)	761,568	814,745	766,977
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
College's covered payroll	$ 8,931,926	$ 9,471,765	$ 10,381,069	$ 10,626,075
Contributions as a percentage of covered payroll	8.16%	8.04%	7.85%	7.22%

See notes to required supplementary information.

Notes to Required Supplementary Information

Pension Information

GASB 68 was implemented in fiscal year 2015. The pension plan schedules are being built prospectively. Ultimately, 10 years of data will be presented.

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

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

- 2021 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2022 employer contributions decreased from 3.5% to 3.0%.
- 2020 - The discount rate used in the September 30, 2018 actuarial valuation decreased to 6.80% for the MIP and Basic plans, 6.80% for the Pension Plus Plan, and 6.00% for the Pension Plus 2 Plan.
- 2019 - The discount rate used in the September 30, 2017 actuarial valuation decreased to 7.05% for the MIP and Basic plans, 7.00% for the Pension Plus plan, and 6.00% for the Pension Plus 2 Plan.
- 2018 - The discount rate used in the September 30, 2016 actuarial valuation decreased to 7.50% for the MIP and Basic plans and 7.00% for the Pension Plus Plan.

OPEB Information

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

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

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

- 2021 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2022 employer contributions decreased from 3.5% to 3.0%. The healthcare cost trend rate used in the September 30, 2019 actuarial valuation decreased to 7.0%.
- 2020 - The discount rate used in the September 30, 2018 actuarial valuation decreased to 6.95%.
- 2019 - The discount rate used in the September 30, 2017 actuarial valuation decreased to 7.15%.

SUPPLEMENTARY INFORMATION

MID MICHIGAN COLLEGE

Combining Statement of Net Position

June 30, 2021 (Unaudited)
(with comparative totals for 2020)

	General Fund	Designated Fund	Auxiliary Activities Fund	Expendable Restricted Fund	Plant Fund	Combined Total June 30, 2021	Combined Total June 30, 2020
Assets							
Current assets							
Cash and cash equivalents	$ 12,692,983	$ -	$ 300	$ -	$ 174,049	$ 12,867,332	$ 18,997,412
Short-term investments	609,658	-	-	-	638,399	1,248,057	1,268,821
Accounts receivable, net	1,780,801	-	81	6,352,114	-	8,132,996	1,886,917
Inventories	-	-	240,139	-	-	240,139	282,737
Prepaid expenses	579,042	-	-	-	-	579,042	353,514
Assets held for sale	-	-	-	-	415,696	415,696	-
Due from (to) other	(511,722)	743,730	2,487,932	(5,959,352)	3,538,982	299,570	(50,187)
Total current assets	**15,150,762**	**743,730**	**2,728,452**	**392,762**	**4,767,126**	**23,782,832**	**22,739,214**
Noncurrent assets							
Long-term investments	-	-	-	-	5,718,433	5,718,433	3,013,593
Restricted cash	71,353	-	-	1	-	71,354	389,759
Capital assets, not being depreciated	-	-	-	-	2,587,064	2,587,064	2,807,064
Capital assets, being depreciated	-	-	-	-	43,252,776	43,252,776	45,823,439
Total capital assets	71,353	-	-	1	51,558,273	51,629,627	52,033,855
Total noncurrent assets	**71,353**	**-**	**-**	**1**	**51,558,273**	**51,629,627**	**52,033,855**
Total assets	**15,222,115**	**743,730**	**2,728,452**	**392,763**	**56,325,399**	**75,412,459**	**74,773,069**
Deferred outflows of resources							
Deferred pension amounts	7,798,102	-	-	-	-	7,798,102	10,794,253
Deferred other postemployment benefits amounts	2,521,375	-	-	-	-	2,521,375	2,400,208
Total deferred outflows of resources	**10,319,477**	**-**	**-**	**-**	**-**	**10,319,477**	**13,194,461**
Liabilities							
Current liabilities							
Accounts payable	962,990	-	-	-	-	962,990	1,806,001
Accrued payroll and related liabilities	1,233,661	-	-	-	-	1,233,661	1,282,315
Interest payable	-	-	-	-	26,078	26,078	24,257
Unearned revenue	793,426	-	-	384,834	-	1,178,260	1,674,132
Long-term obligations - current portion	-	-	-	-	334,853	334,853	666,040
Total current liabilities	**2,990,077**	**-**	**-**	**384,834**	**360,931**	**3,735,842**	**5,452,745**
Noncurrent liabilities							
Long-term obligations - net of current portion	-	-	-	-	6,002,356	6,002,356	6,337,209
Net pension liability	38,180,403	-	-	-	-	38,180,403	39,838,001
Net other postemployment benefit liability	5,672,852	-	-	-	-	5,672,852	8,372,847
Total noncurrent liabilities	**43,853,255**	**-**	**-**	**-**	**6,002,356**	**49,855,611**	**54,548,057**
Total liabilities	**46,843,332**	**-**	**-**	**384,834**	**6,363,287**	**53,591,453**	**60,000,802**
Deferred inflows of resources							
Deferred pension amounts	4,675,680	-	-	-	-	4,675,680	4,675,924
Deferred other postemployment benefits amounts	5,624,544	-	-	-	-	5,624,544	4,071,885
Total deferred inflows of resources	**10,300,224**	**-**	**-**	**-**	**-**	**10,300,224**	**8,747,809**
Net position (deficit)							
Net investment in capital assets	-	-	-	-	39,502,631	39,502,631	41,627,254
Restricted - expendable scholarships and grants	-	-	-	7,929	-	7,929	17,149
Unrestricted (deficit)	(31,601,964)	743,730	2,728,452	-	10,459,481	(17,670,301)	(22,425,484)
Total net position (deficit)	**$ (31,601,964)**	**$ 743,730**	**$ 2,728,452**	**$ 7,929**	**$ 49,962,112**	**$ 21,840,259**	**$ 19,218,919**

MID MICHIGAN COLLEGE

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

Year Ended June 30, 2021 (Unaudited)
(with comparative totals for 2020)

	General Fund	Designated Fund	Auxiliary Activities Fund	Expendable Restricted Fund	Plant Fund	Eliminations	Combined Total June 30, 2021	Combined Total June 30, 2020
Operating revenues								
Tuition and fees, net	$ 13,779,903	$ 486,900	$ -	$ -	$ -	$ (3,549,542)	$ 10,717,261	$ 12,505,051
Federal grants and contracts	-	-	-	1,223,752	-	-	1,223,752	1,302,499
State and local grants and contracts	-	-	-	142,080	-	-	142,080	54,866
Private gifts, grants, and contracts	-	-	-	67,340	-	-	67,340	81,177
Auxiliary activities	-	-	1,050,362	-	-	(65,190)	985,172	1,212,691
Miscellaneous	52,008	-	-	107,055	-	-	159,063	139,343
Total operating revenues	**13,831,911**	**486,900**	**1,050,362**	**1,540,227**	**-**	**(3,614,732)**	**13,294,668**	**15,295,627**
Operating expenses								
Instruction	10,808,235	-	-	(10,830)	-	(26,076)	10,771,329	11,149,627
Public service	706,291	-	-	388,648	-	(13,038)	1,081,901	999,457
Instructional support	1,746,981	-	-	334,946	-	-	2,081,927	2,607,628
Student services	2,739,067	334,003	1,063,001	6,886,795	-	(3,562,580)	7,460,286	7,764,516
Institutional administration	3,905,103	-	-	173,114	-	(13,038)	4,065,179	4,388,814
Operation and maintenance of physical plant	2,198,519	-	-	-	48,553	-	2,247,072	3,015,885
Information technology	1,519,319	-	-	-	-	-	1,519,319	1,479,603
Depreciation and amortization	-	-	-	-	2,542,141	-	2,542,141	2,472,660
Total operating expenses	**23,623,515**	**334,003**	**1,063,001**	**7,772,673**	**2,590,694**	**(3,614,732)**	**31,769,154**	**33,878,190**
Operating (loss) income	**(9,791,604)**	**152,897**	**(12,639)**	**(6,232,446)**	**(2,590,694)**	**-**	**(18,474,486)**	**(18,582,563)**
Nonoperating revenues (expenses)								
State appropriations	7,062,312	-	-	-	-	-	7,062,312	6,415,585
Federal Pell grant	-	-	-	4,573,645	-	-	4,573,645	5,712,759
Federal Higher Education Emergency Relief Fund grants	-	-	-	5,962,052	-	-	5,962,052	492,128
Federal Coronavirus Relief Fund grant	-	-	-	581,000	-	-	581,000	-
Property taxes	2,534,971	-	-	-	-	-	2,534,971	2,435,460
Gifts	-	-	-	240,789	-	-	240,789	253,526
Investment (loss) income, net	14,165	-	-	-	(122,150)	-	(107,985)	380,393
Other revenue	136,780	25,761	-	-	156,389	-	318,930	141,237
Interest on capital asset-related debt	-	-	-	-	(143,004)	-	(143,004)	(74,066)
Gifts from Mid Michigan College Foundation	73,116	-	-	-		-	73,116	561,994
Net nonoperating revenues (expenses)	**9,821,344**	**25,761**	**-**	**11,357,486**	**(108,765)**	**-**	**21,095,826**	**16,319,016**
Transfers (out) in	**4,351,208**	**-**	**(351)**	**(5,134,260)**	**783,403**	**-**	**-**	**-**
Increase (decrease) in net position	**4,380,948**	**178,658**	**(12,990)**	**(9,220)**	**(1,916,056)**	**-**	**2,621,340**	**(2,263,547)**
Net position (deficit), beginning of year	(35,982,912)	565,072	2,741,442	17,149	51,878,168	-	19,218,919	21,482,466
Net position (deficit), end of year	**$ (31,601,964)**	**$ 743,730**	**$ 2,728,452**	**$ 7,929**	**$ 49,962,112**	**$ -**	**$ 21,840,259**	**$ 19,218,919**