MACOMB COMMUNITY COLLEGE

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2023

Macomb Community College

Education • Enrichment • Economic Development

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MACOMB COMMUNITY COLLEGE

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Rehmann

INDEPENDENT AUDITORS' REPORT

September 27, 2023

Board of Trustees
of Macomb Community College
Warren, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and the discretely presented component unit of ***Macomb Community College*** (the "College"), as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of ***Macomb Community College,*** as of June 30, 2023 and 2022, and the results of their operations and cash flows, where applicable, for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Implementation of GASB Statement No. 96

As described in Notes 1, 3 and 9, in fiscal 2023 the College implemented the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements,* effective July 1, 2021. Our opinion is not modified with respect to this matter.

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

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Responsibilities of Management for the Financial Statements

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

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

Independent Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

Required Supplementary Information

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

Other Information

Management is responsible for the other information included in the financial statements. The other information comprises the supplementary information for the year ended June 30, 2023, but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued, under separate cover, our report dated September 27, 2023, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Rehmann Lohan LLC

MACOMB COMMUNITY COLLEGE

Management's Discussion and Analysis

The discussion and analysis of ***Macomb Community College's*** (the College) financial statements provides an overview of the College's financial position at June 30, 2023, 2022 and 2021 and its activities for the three years ended June 30, 2023. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section. The financial statements, footnotes and this discussion are the responsibility of management and are prepared in accordance with Governmental Accounting Standards Board (GASB) pronouncements.

Using the Financial Report

This financial report includes the report of independent auditors, management's discussion and analysis, the basic financial statements, which consist of the statement of net position, the statement of revenues, expenses and changes in net position, the statement of cash flows and notes to the financial statements. Following the basic financial statements and footnotes are four supplemental schedules: the GASB 68 and GASB 75 required supplementary information, the combining statement of net position and the combining statement of revenues, expenses, transfers and changes in net position as of and for the year ended June 30, 2023.

On July 1, 2021, the College implemented changes to its reporting of leasehold assets as required by Governmental Accounting Standards Board Statement 87, *Leases.* This standard necessitates the College include on its financials all capital assets which it holds either the physical asset itself or the right to use an asset held by another party. The asset additions due to this standard amount to $569,688 in right of use assets, leased buildings, as well as a corresponding lease obligation for the same amount. Amortization expense in 2023 and 2022 related to this leased asset was $284,709 and $284,979, respectively. The lease expired on June 30, 2023, and was not renewed.

Further, Governmental Accounting Standards Board Statement 87, *Leases* requires the College recognize a lease receivable and a deferred inflow of resources for those leases in which the College leases property to a third party. The College leases a building to a third party, and related to this lease, on July 1, 2021, the College recorded a lease receivable and deferred inflow of $2,809,090. These amounts represent the present value of future cash flow payments anticipated to be received related to this lease. At June 30, 2023 and 2022 the present value of the lease is $2,261,453 and $2,536,003, respectively.

For the year ended June 30, 2023, the financial statements include the adoption of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements.* The primary objective of this statement is to enhance the relevance and consistency of information about the College's subscription activities. This statement establishes a single model for subscription accounting based on the principle that subscriptions are financings which conveys control of the right to use another party's information technology software, alone or in combination with tangible capital assets, as specified in the contract for a period of time. Under this Statement, the College is required to recognize a subscription liability and an intangible right-of-use subscription asset on a retrospective basis. As of June 30, 2023 and 2022, subscription based assets net of accumulated amortization total $4.7 million and $4.3 million, respectively, and subscription liabilities total $4.1 million and $4.1 million, respectively.

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

MACOMB COMMUNITY COLLEGE

Management's Discussion and Analysis

Under the provision of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus,* the Macomb Community 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 Note 1 and Note 12 of the financial statements for information regarding the Foundation.

Financial Highlights

The financial statements report information on the College as a whole. These statements report the College's financial position as of June 30, 2023 and 2022 and changes in net position for the two years ended June 30, 2023. The College's financial position remained strong at June 30, 2023 and 2022, with assets of $454.4 million and $455.0 million, respectively and liabilities of $301.4 million and $212.4 million, respectively. The College recorded an increase of $79.8 million in net pension liability to reflect its share of the unfunded Michigan Public School Employees' Retirement System (MPSERS) long-term net pension liability and an increase of $4.0 million in net other postemployment benefits (OPEB) liability, as required by GASB No. 68 and 75, respectively. The change in net position was impacted by the change in market value of investments, depreciation and amortization of capitalized assets and recording of the College's share of the Michigan Public School Employees Retirement System (MPSERS) long-term net pension and other postemployment benefits liability as required by GASB Statements 68, *Accounting And Financial Reporting For Pensions,* and 75, *Accounting And Financial Reporting For Postemployment Benefits Other Than Pensions.* While the provisions of GASB 68 and 75 continue to impact total net position, they do not have any impact on the College's cash flows or operating budgets. In 2023, the College had $2.2 million in net realized and unrealized losses compared to a net realized and unrealized losses of $12.9 million in 2022. For the fiscal year ended June 30, 2023, the College's revenues exceeded expenses and other support, thereby increasing the net position of the College by $3.3 million as compared to $9.4 million increase in the previous year.

The Pension and OPEB Liability Fund reported a deficit of $213.9 million in the unrestricted net position as of June 30, 2023, which is partially offset by the unrestricted net position of the College's General Fund and Plant Fund, in the amount of $188.6 million resulting in an overall unrestricted deficit of $25.3 million at June 30, 2023.

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

The following is a comparative analysis of key components of the Statement of Net Position as of June 30:

	2023	2022	2021
Assets			
Current assets	$ 92,782,318	$ 129,041,691	$ 129,121,562
Long-term investments	150,790,081	157,028,052	161,375,376
Lease receivable, net of current portion	1,975,769	2,400,123	-
Capital assets and right of use assets, net	208,850,063	166,528,045	162,147,880
Total assets	454,398,231	**454,997,911**	**452,644,818**
Deferred outflows of resources	**87,635,334**	**43,302,235**	**64,377,499**

Management's Discussion and Analysis

	2023	2022	2021
Liabilities			
Current liabilities	$ 46,128,637	$ 40,287,073	$ 34,999,706
Long-term liabilities, net	5,295,830	5,914,169	3,470,888
Net pension liability	236,340,623	156,545,383	233,029,930
Net OPEB liability	13,655,079	9,681,002	35,645,229
Total liabilities	**301,420,169**	**212,427,627**	**307,145,753**
Deferred inflows of resources	**61,981,990**	**110,511,448**	**43,893,776**
Net position			
Net investment in capital assets	199,260,111	161,891,558	162,147,880
Expendable endowments, scholarships and grants	4,682,899	2,880,009	2,362,219
Pension and OPEB deficits	(213,927,312)	(224,447,161)	(243,368,541)
Other unrestricted	188,615,708	235,036,665	244,841,230
Total net position	**$ 178,631,406**	**$ 175,361,071**	**$ 165,982,788**

The following is a comparative analysis of key components of the revenues, expenses and change in net position for the years ended June 30:

	2023	2022	2021
Operating revenues	$ 51,056,967	$ 48,898,883	$ 47,098,985
Operating expenses	164,836,355	172,420,820	166,224,957
Operating loss	(113,779,388)	(123,521,937)	(119,125,972)
Nonoperating revenues	112,097,054	132,717,772	135,414,294
Other revenues	4,952,669	182,448	641,124
Change in net position	3,270,335	9,378,283	16,929,446
Net position, beginning of year	175,361,071	165,982,788	149,053,342
Net position, end of year	**$ 178,631,406**	**$ 175,361,071**	**$ 165,982,788**

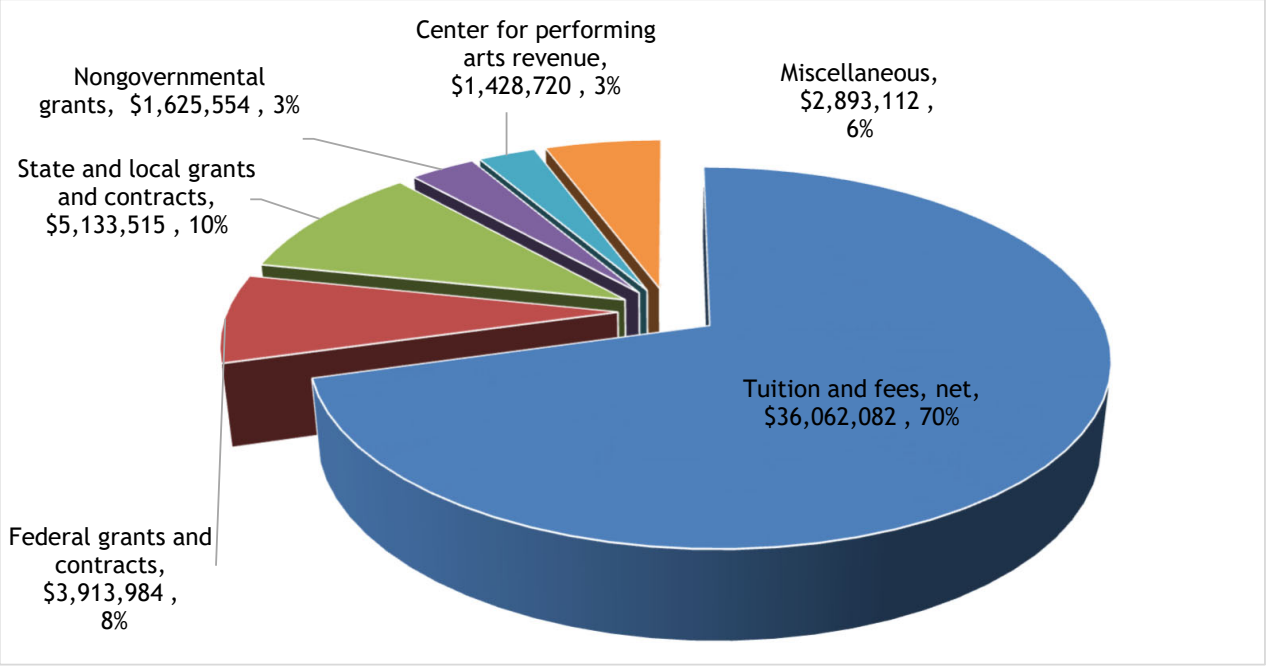
Management's Discussion and Analysis

Operating Revenues

Operating revenues include all transactions that result in sales and / or receipts from goods and services, such as tuition and fees and ticket sales revenue from the Macomb Center for Performing Arts. In addition, certain federal, state, and private grants are considered operating if they are not for capital purposes and are considered a contract for services. Operating revenues consisted of the following during the years ended June 30:

Operating revenues			
Tuition and fees, net	$ 36,062,082	$ 36,555,886	$ 41,644,682
Federal grants and contracts	3,913,984	3,595,448	3,364,118
State and local grants and contracts	5,133,515	5,272,219	225,881
Nongovernmental grants	1,625,554	196,104	177,155
Center for performing arts revenue	1,428,720	897,162	-
Miscellaneous	2,893,112	2,382,064	1,687,149
Total operating revenues	**$ 51,056,967**	**$ 48,898,883**	**$ 47,098,985**

The following is a graphic illustration of operating revenues for fiscal year 2023:



Management's Discussion and Analysis

For the three years ended June 30, 2023, there was a 13.4 percent decline in net tuition and fee revenue of $5.6 million. This revenue decrease is due to a combination of a 6.9 percent increase in tuition rates, 9.7 percent decline in credit hours and a 0.13 percent increase in the amount of tuition and fees paid with financial aid during the three-year period. The College experienced an enrollment decline during and following the COVID-19 pandemic as some students did not return for classes. Other factors contributing to the enrollment decline include a declining high school population in Southeast Michigan, the national trend questioning the value of education and a strong labor market in which prospective students forgo post-secondary education and immediately enter the job market. In fiscal years 2022 and 2023, the College's enrollment experienced an increase primarily due to the new State of Michigan programs Future for Frontliners and Michigan Reconnect. The College is experiencing a 3.5% enrollment increase for the fall 2023 semester due to the State of Michigan programs, including the Michigan Achievement Scholarship, as well as a college-sponsored program, the Macomb Tuition Advantage Program.

The Michigan Reconnect and Futures for Frontliners programs continue to be funded by the State of Michigan to provide free tuition to eligible students. The program contributed $3.0 million in state grant revenue and $5.0 million in state grant revenue for fiscal years 2023 and 2022, respectively.

Revenue at the Center for Performing Arts had an increase of $1,428,720 or 100.0 percent during the three years ended June 30, 2023. The Performing Arts Center cancelled shows and remained closed due to the COVID-19 pandemic in 2021, resumed limited operations throughout fiscal year 2022, and offered a full season of events and shows in fiscal year 2023.

Operating Expenses

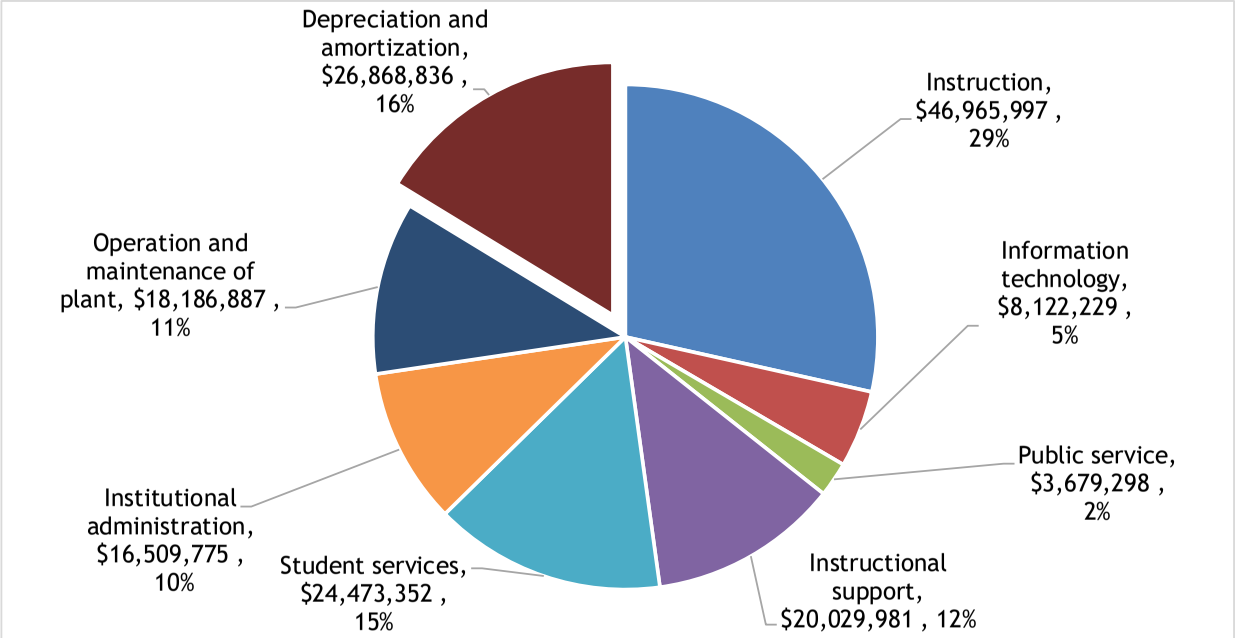
Operating expenses are the costs necessary for the College to provide services and conduct the programs necessary to carry out the College's mission. Operating expenses consisted of the following for the three years ended June 30:

	2023	2022	2021
Operating expenses			
Instruction	$ 46,965,997	$ 42,275,589	$ 52,772,118
Information technology	8,122,229	7,406,749	10,866,830
Public service	3,679,298	2,816,843	2,091,490
Instructional support	20,029,981	19,032,455	20,779,756
Student services	24,473,352	41,618,301	30,435,574
Institutional administration	16,509,775	16,572,082	15,244,162
Operation and maintenance of plant	18,186,887	19,294,296	12,848,214
Depreciation and amortization	26,868,836	23,404,503	21,186,813
Total operating expenses	**$ 164,836,355**	**$ 172,420,818**	**$ 166,224,957**

Management's Discussion and Analysis

Included in expenses are amounts funded through state appropriations to pay the College's portion of the MPSERS Unfunded Actuarial Accrued Liability (UAAL). Funds received from the State and paid to the Office of Retirement Services were $16.9 million, $9.5 million and $9.1 million for the years ended June 30, 2023, 2022 and 2021, respectively.

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



The primary operating expenses of the College are salaries, payroll taxes and related fringe benefits. The College incurred approximately $102.0 million, $89.0 million, and $108.0 million of payroll and benefit related expenses during the three years ended June 30, 2023. This represents 61.9 percent, 51.6 percent and 65.0 percent of the College's operating expenses during those years, respectively.

Wage expenses have increased by $8,024,000 or 11.52 percent during the three years ended June 30, 2023 primarily due to refilling vacant positions and furloughed employees during the pandemic, and negotiated salary increases.

Benefit expenses have decreased $14.0 million or 30.64 percent during the three years ended June 30, 2023 due primarily to a significant decrease in the College's share of the MPSERS unfunded pension and health care plans. The College received $7.8 million increase in state appropriations for UAAL received over the same period; the purpose of the UAAL state appropriation is to assist in funding the MPSERS unfunded pension liability. The UAAL state appropriations received were $16.9 million (which includes a one time payment of $6.5 million), $9.5 million, and $9.1 for the years ended June 30, 2023, 2022 and 2021, respectively.

The change in student services expenses is primarily related to HEERF grant spending.

Management's Discussion and Analysis

Nonoperating Revenues

The College receives substantial non-operating support from state appropriations, property tax revenue and Federal Pell grants thus operating expenses normally exceed operating revenues resulting in an operating loss. Nonoperating revenues and expenses are an integral component in funding annual operations.

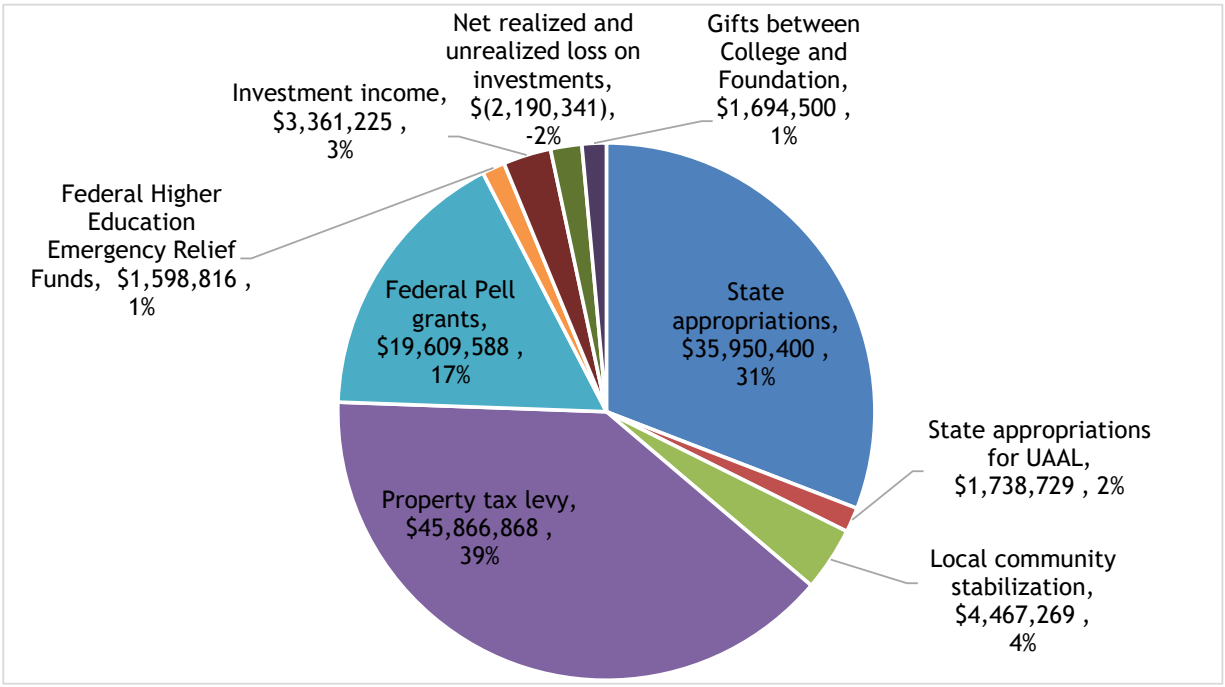
Nonoperating revenues represent revenue sources that are primarily non-exchange in nature in which the College receives value without directly giving equal value in return. They consist primarily of property tax revenue, state appropriations, Federal Pell grants and Federal Higher Education Emergency Relief Funds (HEERF) and Coronavirus Relief Funds (CRF).

Nonoperating revenues (expenses) were comprised of the following for the three years ended June 30:

	2023	2022	2021
Nonoperating revenue (expenses)			
State appropriations	$ 35,950,400	$ 35,974,200	$ 34,319,500
State appropriations for UAAL	1,738,729	1,668,574	1,683,418
Local community stabilization	4,467,269	4,147,862	4,099,670
Property tax levy	45,866,868	43,742,687	42,652,988
Federal Pell grants	19,609,588	20,249,606	21,354,605
Federal Higher Education Emergency Relief Funds	1,598,816	35,910,489	24,492,361
Coronavirus Relief Funds (CRF)	-	-	5,362,857
Investment income	3,361,225	2,262,217	2,201,826
Net realized and unrealized loss on investments	(2,190,341)	(12,877,197)	(1,731,409)
Gifts between College and Foundation	1,694,500	1,639,334	978,478
Net nonoperating revenues	**$ 112,097,054**	**$ 132,717,772**	**$ 135,414,294**

Management's Discussion and Analysis

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



In addition, Public Act 300 of 2012 instituted a 20.96 percent cap on the employer's share of the UAAL for reported MPSERS wages. This resulted in a state appropriation for UAAL of $16.9 million, $9.5 million and $9.1 million in 2023, 2022, and 2021, respectively, as well as MPSERS related cash outlay and expenses of equal amounts.

Property tax values increased by 10.8 percent over the three-year period due to changes in housing market values and new construction, resulting in a $3.2 million increase in property tax revenue. The operating millage rate was, 1.4077, 1.4247 and 1.4387 for the years 2023, 2022 and 2021, respectively. At the May 8, 2018 election, the College's operating levy was renewed and restored to $1.464 of tax per $1,000 of taxable property for 20 years or through 2038. In addition, legislation was enacted in 2012 that provides personal property tax exemption for small taxpayers and eligible manufacturing personal property impacted property taxes. The 2012 legislation also created the Local Community Stabilization Authority (Authority) to provide for the reimbursement of the lost personal property tax revenue through share of a 6% use tax levied by the Authority, resulting in $4.5 million in revenue in 2023.

Varying economic conditions and related job markets in southeastern Michigan, including from the impact of COVID-19, as well as a declining number of high school graduates in the county contributed to a 12.6 percent enrollment decline over a three year period. As a result of new student aid programs, it is anticipated that enrollment will increase in the 2023-24 academic year. Federal Pell grants decreased by $1.7 million or 8.2 percent during the three-year period.

Management's Discussion and Analysis

Higher interest rates resulted in an increase in investment income of $1,159,400 over the three years ended June 30, 2023. The weighted average interest rates on cash and investments for the years 2023, 2022, and 2021 were 1.49, 0.93, and 1.20 percent, respectively.

In response to the pandemic, the College was allocated funding through the Higher Education Emergency Relief Fund (HEERF) grant through the federal Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"),the Coronavirus Response and Relief supplemental Appropriation Act (CRRSAA) and the American Rescue Plan Act (ARPA) which were enacted into law on March 28, 2020, December 27, 2020 and March 11, 2021, respectively. During the year ended June 30, 2022, the College awarded eligible HEERF grants to students and also incurred eligible institutional costs under the three acts. The remaining awarded grant funds were expended during fiscal 2023.

The market value for government agency bonds decreased in 2023 as a result of market conditions and higher interest rates. The net realized and unrealized loss on investments was $2.2 million in 2023, a net loss of $12.9 million in 2022, and a net loss of $1.7 million in 2021. The College portfolio is heavily weighted in government instrumentalities and municipal bonds that fluctuate in value with rising and declining interest rates. As the College intends to hold the instrumentalities and bonds to maturity or call, the market value fluctuations do not indicate true or realized gains or losses.

Other Revenues

Other revenues consist of items that are typically nonrecurring, extraordinary, or unusual to the College. Included as other revenue, the College received donated capital equipment contributions of $48,000, $182,000 and $541,000 for the years ended June 30, 2023, 2022 and 2021, respectively. During 2023, the College also received $4.9 million from the State of Michigan Building Authority for reimbursable costs related to a capital outlay project.

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

Management's Discussion and Analysis

Following is a comparative analysis of the cash flows of the College for the three years ended June 30:

	2023	2022	2021
Cash (used in) provided by			
Operating activities	$ (90,077,705)	$ (115,215,427)	$ (86,030,583)
Noncapital financing activities	111,545,365	142,467,858	131,486,654
Capital and related financing activities	(69,417,531)	(23,185,467)	(22,578,986)
Investing activities	13,065,806	(9,843,250)	(6,039,734)
Net change in cash and cash equivalent	**(34,884,065)**	**(5,776,286)**	**16,837,351**
Cash and cash equivalents, beginning of year	54,002,791	59,779,077	42,941,726
Cash and cash equivalents, end of year	**$ 19,118,726**	**$ 54,002,791**	**$ 59,779,077**

Net cash and equivalents used in operating activities totaled $90.1 million in 2023. This was financed by $111.5 million of net cash flows from noncapital financing activities such as property taxes, Federal Pell, HEERF grants and state appropriations. Net cash used in capital and related financing activities totaled $69.4 million during 2023, which is primarily the result of capital expenditures. Net cash provided by investing activities totaled approximately $13.1 million. The net result of all cash flows is a decrease in cash and cash equivalents of $34.9 million in 2023.

Net cash and equivalents used in operating activities totaled $115.2 million in 2022. This was financed by $142.4 million of net cash flows from noncapital financing activities such as property taxes, Federal Pell, HEERF grants and state appropriations. Net cash used in capital and related financing activities totaled $23.2 million during 2022, which is primarily the result of capital expenditures. Net cash used in investing activities totaled approximately $9.8 million. The net result of all cash flows is a decrease in cash and cash equivalents of $5.8 million in 2022.

Net cash and equivalents used in operating activities totaled $86.0 million in 2021. This was financed by $131.5 million of net cash flows from noncapital financing activities such as property taxes, Federal Pell grants, HEERF grants and state appropriations. Net cash used in capital and related financing activities totaled $22.6 million during 2021, which is primarily the result of capital expenditures. Net cash used in investing activities totaled approximately $6.0 million. The net result of all cash flows is an increase in cash and cash equivalents of $16.8 million in 2021, which was an intentional strategy to maintain additional liquidity due to the uncertainty caused by the COVID-19 pandemic.

Management's Discussion and Analysis

Capital Assets

The College had $208.9 million, $166.5 million and $162.1 million invested in capital assets, net of accumulated depreciation and amortization of $336.1 million, $311.2 million and $289.9 million at June 30, 2023, 2022 and 2021, respectively. Depreciation and amortization charges totaled $ 26.9 million, $23.4 million and $21.2 million respectively, for the years then ended.

	2023	2022	2021
Capital assets			
Capital assets not being depreciated:			
Land	$ 7,866,936	$ 7,866,936	$ 7,866,936
Construction in progress	20,615,923	9,500,087	4,119,306
Total capital assets not being depreciated	28,482,859	17,367,023	11,986,242
Capital assets being depreciated/amortized:			
Land improvements	7,014,336	7,014,336	7,014,336
Infrastructure	23,726,850	20,110,559	20,110,559
Building and improvements	393,807,162	347,285,955	337,345,634
Furniture, fixtures, and equipment	80,895,766	77,318,519	73,381,156
Library materials	2,394,298	2,335,954	2,182,172
Subscription assets	8,016,017	5,756,073	-
Right of use asset, leased building	569,688	569,688	-
Accumulated depreciation/amortization	(336,056,913)	(311,230,062)	(289,872,219)
Total capital assets being depreciated/ amortized, net	180,367,204	149,161,022	150,161,638
Total capital assets	**$ 208,850,063**	**$ 166,528,045**	**$ 162,147,880**

Major capital additions during 2023 were as follows:

Campus	Description	Amount
South	T building renovation	$ 37,596,000
South	SP HVAC installation	5,269,000
South/Center	Security Door installation	4,211,000
Center	Parking Lots upgrades	3,616,000
Center	S building renovation	189,000
Total		**$ 50,881,000**

Management's Discussion and Analysis

Economic Factors that will Effect the Future

Due to the COVID-19 pandemic, the College converted all classes to an on-line modality and discontinued all on-campus events, shows and food service beginning March 2020. Most classes were offered on-line for the fall 2020 and winter 2021 semesters and most events, shows and food service were cancelled through June 30, 2021. While the occupational health and safety and health department orders have been reduced or eliminated, there continues to be much uncertainty surrounding the long-term financial and economic impact that the COVID-19 pandemic will have on the College and our students. As of June 30, 2023, the College expended $66.9 million of the total $66.9 million in HEERF grants funds remaining for the impact of COVID-19 and student grants.

In addition, the economic position of the College is closely tied to that of Macomb County and the State of Michigan. While there was recent economic improvement in employment and housing markets in 2023, the economic future continues to remain uncertain post-COVID-19 pandemic. While state appropriations increased for community colleges, the funding continues to lag inflation. In fiscal year 2023, state appropriations were 21 percent of the College revenues and in 2022 state aid was 28 percent of College revenues. State appropriation revenue levels will continue to remain uncertain for future years as the State of Michigan continues to address balancing the state budget, in light of the economic impact of COVID-19, as well as funding higher education from the school aid fund, unfunded pension and OPEB liabilities and state infrastructure.

Macomb County taxable value and the resulting property tax revenue increased by 4.6 percent in 2022-23. These property tax values are expected to increase 7.1 percent in 2023-24 due to an improvement in housing values, as well as new construction offset by the loss of taxable value due to personal property tax reform legislated by the State. Home sales and new construction have improved particularly in the northern areas of the county, indicating that property tax declines associated with prior years are reversing. At approximately 32 percent of total general fund revenue, property tax revenue has been a very important source of revenue to the College over the years, especially in light of uncertain state appropriations, which have also lagged inflation since 2002. This has and will continue to have a significant impact on College resources for the next few years; even when economic conditions improve, property tax values due to State statute cannot increase at a rate greater than inflation. At the May 8, 2018 election, the College's operating levy was renewed and restored to $1.464 of tax per $1,000 of taxable property for 20 years or through 2038. In 2023, the Colleges operating levy was subject to a millage reduction fraction of -0.9881, reducing the levy to 1.4077.

Due to lagging state appropriations and the conversion to billable contact hours, tuition and fee rates increased by 2.0% for the 2022-23 academic year. Billable contact hours is more reflective of the costs incurred for high contact hour classes and was effective beginning in the fall 2020 semester. Student affordability is important to the College and, as such, tuition rates continue to remain below the average rate charged by Michigan community colleges and are less than one quarter of the university tuition rates in southeastern Michigan. The College continues to offer students optional interest-free tuition and fee payment plans to assist with helping students pay for college particularly during the COVID-19 pandemic. Additionally, the College awarded $32.2 million in HEERF grants through June 30, 2022 to assist students financially during the COVID-19 pandemic. In July 2022, the College offered a debt forgiveness program to assist students who were impacted by COVID-19 by waiving college debt so a student could continue on with their education.

Management's Discussion and Analysis

In March 2021 the College implemented multiple semester registration. Students could register for Spring/Summer 2023 semester, Fall 2023 semester and/or Winter 2024 semester. This change resulted in an increase in unearned tuition and fee revenue and a corresponding increase in student accounts receivables, resulting in approximately $20.9 million of tuition revenue that will be recognized after June 30, 2023.

Payroll and related expenses represent approximately 61.8 percent of the total operating expenditures reported on the June 30, 2023 statement of revenues, expenses and changes in net position. As signed into law on June 13, 2013, the Education Omnibus Budget (PA 60 of 2013) provides state appropriated funding to community colleges for fiscal years 2017, 2018 and 2019. This act results in state funding for the Unfunded Actuarial Accrued MPSERS liability in excess of the 20.96 percent cap and resulted in receipts of $16.9 million, $9.5 million and $9.1 million for fiscal year 2023, 2022 and 2021 respectively with corresponding payments of equal amounts in each year.

Beginning with the fall 2023 semester, the State of Michigan began offering the Michigan Achievement Scholarship to graduating high school seniors. Depending on eligibility and financial need, graduates may receive up to $2,750 in annual scholarships at a community college for up to three years. On May 16, 2023, Macomb announced and launched the Macomb Tuition Advantage Program, which is a tuition-free program for students that qualify. Eligibility for the program is based on student financial need and full-time status, and is renewable up to three years. The combination of these programs along with the other State programs is anticipated to improve enrollment.

The College is committed to expanding educational and enrichment opportunities for our students and the community as well as the College's strategy to apply for grants to fund certain initiatives. The table below outlines a future, multi-year major construction and renovation program as approved by the College Board of Trustees, which support this commitment and is to be financed by designated College funds.

Year	Campus	Description	Amount
2023/24	Center	J building renovations	$ 23,610,000
	South	Q building renovations	16,920,000
	South	Parking lots 11 & 12	3,310,000
	Center	M building elevator replacement	549,000
	Center	N building data center	524,000
	East	Phone and gate upgrades	490,000
Total			**$ 45,403,000**

A capital outlay appropriation of $14.8 million has been approved by the State to cost share in the renovation of the Skilled Trades and Advanced Technology Center at South Campus. Construction began in fall 2021 and the building will open in August 2023. The total cost of this project is $44,847,100.

MACOMB COMMUNITY COLLEGE

Statements of Net Position

June 30, 2023 and 2022

	College		Component Unit - Foundation	
	2023	2022	2023	2022
Assets				
Current assets				
Cash and cash equivalents	$ 19,118,726	$ 54,002,791	$ 427,480	$ 191,555
Short-term investments	34,760,740	40,417,691	32,599,425	26,465,181
Property taxes receivable - net of allowance for doubtful accounts of $213,000 in 2023 and $196,000 in 2022	90,846	1,035,407	-	-
State appropriation receivable	13,616,599	8,371,758	-	-
Accounts receivable - net of allowance for doubtful accounts of $200,000 in 2023 and 2022	18,883,162	16,896,754	-	-
Federal and state grants receivable	2,357,043	4,744,848	-	-
Current portion of lease receivable	285,684	135,880	-	-
Student loans receivable	49,696	64,794	-	-
Inventories	174,372	173,309	-	-
Prepaid expenses and other assets	3,445,450	3,198,459	38,983	5,196
Total current assets	**92,782,318**	**129,041,691**	**33,065,888**	**26,661,932**
Long-term investments	150,790,081	157,028,052	-	-
Capital assets not being depreciated	28,482,859	17,367,024	-	-
Capital assets being depreciated/amortized, net	180,367,204	149,161,021	-	-
Lease receivable, net of current portion	1,975,769	2,400,123	-	-
Total assets	**454,398,231**	**454,997,911**	**33,065,888**	**26,661,932**
Deferred outflows of resources				
Deferred pension amounts	70,028,646	31,218,050	-	-
Deferred OPEB amounts	17,606,688	12,084,185	-	-
Total deferred outflows of resources	**87,635,334**	**43,302,235**	**-**	**-**
Liabilities				
Current liabilities				
Accounts payable	9,140,971	10,588,975	20,725	65,211
Accrued payroll and other compensation	5,875,398	4,921,298	-	-
Other accrued liabilities	6,751,427	2,763,354	-	-
Deposits	1,148,871	857,690	-	-
Unearned revenue	21,263,098	19,455,217	83,350	47,850
Lease obligation	-	287,078	-	-
Current portion of subscription based IT agreements liabilities	1,948,872	1,413,461	-	-
Total current liabilities	**46,128,637**	**40,287,073**	**104,075**	**113,061**
Subscription based IT agreements liabilities, net of current portion	2,192,913	2,716,215	-	-
Accrued vacation, net of current portion	3,102,917	3,197,954	-	-
Net pension liability	236,340,623	156,545,383	-	-
Net OPEB liability	13,655,079	9,681,002	-	-
Total liabilities	**301,420,169**	**212,427,627**	**104,075**	**113,061**
Deferred inflows of resources				
Deferred lease amounts	2,184,848	2,496,969	-	-
Deferred pension amounts	29,324,395	68,014,674	-	-
Deferred OPEB amounts	30,472,747	39,999,805	-	-
Total deferred inflows of resources	**61,981,990**	**110,511,448**	**-**	**-**
Net position				
Net investment in capital assets	199,260,111	162,111,291	-	-
Restricted for				
Nonexpendable endowments	-	-	12,276,473	8,154,600
Expendable endowments, scholarships and grants	4,682,899	2,880,009	5,448,425	4,289,447
Unrestricted (Note 1)	(25,311,604)	10,369,771	15,236,915	14,104,824
Total net position	**$ 178,631,406**	**$ 175,361,071**	**$ 32,961,813**	**$ 26,548,871**

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

MACOMB COMMUNITY COLLEGE

Statements of Revenues, Expenses and Changes in Net Position

	College		Component Unit - Foundation	
	Year Ended June 30		Year Ended June 30	
	2023	2022	2023	2022
Operating revenues				
Tuition and fees - net of scholarship allowances of $14,500,000 in 2023 and $15,200,000 in 2022	$ 36,062,082	$ 36,555,886	$ -	$ -
Federal grants and contracts	3,913,984	3,595,448	-	-
State and local grants and contracts	5,133,515	5,272,219	-	-
Nongovernmental grants	1,625,554	196,104	-	-
Center for Performing Arts	1,428,720	897,162	-	-
Miscellaneous	2,893,112	2,382,064	107,889	51,429
Total operating revenues	**51,056,967**	**48,898,883**	**107,889**	**51,429**
Operating expenses				
Instruction	46,965,997	42,275,589	-	-
Information technology	8,122,229	7,406,749	-	-
Public service	3,679,298	2,816,843	-	-
Instructional support	20,029,981	19,032,455	-	-
Student services	24,473,352	41,618,301	-	-
Institutional administration	16,509,775	16,572,082	-	-
Operation and maintenance of plant	18,186,887	19,294,296	-	-
Depreciation	24,328,846	21,712,860	-	-
Amortization	2,539,990	1,691,643		-
Total operating expenses	**164,836,355**	**172,420,818**	**-**	**-**
Operating (loss) income	**(113,779,388)**	**(123,521,935)**	**107,889**	**51,429**
Nonoperating revenues (losses)				
State appropriations	35,950,400	35,974,200	-	-
State appropriations for UAAL	1,738,729	1,668,574	-	-
Local Community Stabilization	4,467,269	4,147,862	-	-
Property tax levy	45,866,868	43,742,687	-	-
Federal Pell grants	19,609,588	20,249,606	-	-
Federal Higher Education Emergency Relief Funds grant	1,598,816	35,910,489	-	-
Investment income	3,361,225	2,262,217	1,498,894	1,562,236
Net realized and unrealized (loss) gain on investments	(2,190,341)	(12,877,197)	1,618,703	(6,886,415)
Gifts between College and Foundation	1,694,500	1,639,334	(1,694,500)	(1,639,334)
Gifts	-	-	901,320	796,380
Net nonoperating revenues (losses)	**112,097,054**	**132,717,772**	**2,324,417**	**(6,167,133)**
Other revenues				
State capital appropriations	4,904,377	-	-	-
Capital gifts and grants	48,292	182,448	-	-
Additions to permanent endowments	-	-	3,980,636	395,110
Total other revenues	**4,952,669**	**182,448**	**3,980,636**	**395,110**
Change in net position	**3,270,335**	**9,378,283**	**6,412,942**	**(5,720,594)**
Net position - beginning of year	175,361,071	165,982,788	26,548,871	32,269,465
Net position - end of year	**$ 178,631,406**	**$ 175,361,071**	**$ 32,961,813**	**$ 26,548,871**

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

MACOMB COMMUNITY COLLEGE

Statements of Cash Flows

	College	
	Year Ended June 30	
	2023	2022
Cash flows from operating activities		
Tuition and fees	$ 35,883,555	$ 36,190,407
Grants and contracts	13,060,858	6,844,104
Payments to suppliers	(73,511,311)	(89,817,239)
Payments to employees	(72,604,158)	(71,672,890)
Center for Performing Arts receipts	1,428,720	897,162
Other	5,664,631	2,343,029
Net cash used in operating activities	**(90,077,705)**	**(115,215,427)**
Cash flows from noncapital financing activities		
Local property taxes	46,811,429	42,753,034
Federal Higher Education Emergency Relief Funds Receipts	1,598,816	35,910,489
Gifts and contributions for other than capital purposes	1,694,500	1,639,334
William D. Ford direct lending receipts	5,227,344	4,611,617
William D. Ford direct lending disbursements	(5,212,246)	(4,266,105)
Federal Pell grants	19,609,588	20,249,606
Local community stabilization funding	4,467,269	4,147,862
State appropriations	37,348,665	37,422,021
Net cash provided by noncapital financing activities	**111,545,365**	**142,467,858**
Cash flows from capital and related financing activities		
Purchase of capital assets	(66,636,297)	(21,458,907)
Lease obligation principal payments	(287,078)	(282,611)
Subscription based IT agreements principal payments	(2,542,448)	(1,626,397)
Capital grant and gift proceeds	48,292	182,448
Net cash used in capital and related financing activities	**(69,417,531)**	**(23,185,467)**
Cash flows from investing activities		
Proceeds from sales and maturities of investments	140,342,933	141,934,832
Interest on investments	5,217,596	3,231,748
Purchase of investments	(132,494,723)	(155,009,830)
Net cash provided by (used in) investing activities	**13,065,806**	**(9,843,250)**
Net change in cash and cash equivalents	**(34,884,065)**	**(5,776,286)**
Cash and cash equivalents - beginning of year	54,002,791	59,779,077
Cash and cash equivalents - end of year	**$ 19,118,726**	**$ 54,002,791**

Non-cash capital and related financing activities related to subscription assets and related liabilities were$2,554,557 and $1,405,259 in 2023 and 2022, respectively.

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

MACOMB COMMUNITY COLLEGE

Statements of Cash Flows

	College	
	Year Ended June 30	
	2023	2022
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	$ (113,779,388)	$ (123,521,937)
Adjustment to reconcile operating loss to net cash used in operating activities		
Depreciation	24,328,846	21,712,861
Amortization	2,539,990	1,691,643
Change in operating assets and liabilities that provided (used) cash		
Accounts receivable	(1,986,408)	578,007
Federal and state grants receivable	2,387,805	(2,219,667)
Lease receivable	274,550	273,087
Inventories	(1,063)	17,302
Prepaid assets and other assets	(246,991)	504,312
Deferred outflows of resources	(44,333,099)	21,075,264
Accounts payable	(1,448,004)	4,014,083
Accrued payroll and other compensation	859,063	(960,158)
Other accrued liabilities	3,988,073	960,765
Deposits	291,181	242,690
Unearned revenue	1,807,881	(943,486)
Deferred inflows of resources	(48,529,458)	63,808,582
Net pension and OPEB liabilities	83,769,317	(102,448,774)
Net cash used in operating activities	**$ (90,077,705)**	**$ (115,215,427)**

MACOMB COMMUNITY COLLEGE

Notes to Financial Statements

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Macomb Community College (the College) is a Michigan community college whose financial statements have been prepared in accordance with generally accepted accounting principles 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 (MUFR).*

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 functional expense classifications are in accordance with the guidance in the MUFR.

The accompanying financial statements have been prepared in accordance with criteria established by GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational or financial relationships with the College. Based on these criteria, the College has determined that the Macomb Community College Foundation (the Foundation) meets the criteria of a component unit.

The Foundation is a separate legal entity established as a 501(c)(3) corporation 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 discretely presented in the financial statements of the College. Separate audited financial statements of the Foundation are available by contacting the Macomb Community College Foundation at 14500 East 12 Mile Road, Warren, MI 48088-3896.

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

Basis of Accounting Macomb Community College

The financial statements have been prepared using an economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has been incurred.

Basis of Accounting Component Unit

The Foundation reports under the provisions of Accounting Standards Codification Topic 958, *Not-For-Profit Entities.* As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition 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.

Notes to Financial Statements

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 year. Actual results could differ from those estimates. Estimates include but are not limited to the accounts receivable allowance, investment valuations, lost tuition and fees revenues as reported for Higher Education Emergency Relief Funding, accrued compensated absences, the discount rate used to calculate subscription liabilities, net pension liability, net OPEB liability, and deferred outflows and inflows related to pension and OPEB amounts.

Cash and Cash Equivalents

Cash and cash equivalents consist of deposit accounts and highly liquid investments with an initial maturity of three months or less.

Investments

The College investments must conform to State statutes governing investment of public funds and are limited to allowable investments as stated in the statute. College investments held at June 30, 2023 and June 30, 2022 were in Certificates of Deposit, Commercial Paper, Governmental Instrumentalities or Michigan Municipal Bonds. Realized and unrealized gains and losses are reflected in the Statement of Revenues, Expenses and Changes in Net Position. Investments are classified as short-term or long-term based on the instruments maturity date. The Foundation maintains mutual fund investment accounts for its nonexpendable and expendable endowments. Realized and unrealized gains and losses from securities in the investment accounts are allocated annually.

The College carries its investments at fair value, which is determined generally by using quoted market prices. Realized and unrealized gains and losses from securities in the investment accounts are allocated monthly based on the relationship of the estimated market value of each account to the total market value of the investment accounts, as adjusted for additions to or deductions from those accounts.

Short-term investments, comprised of readily marketable debt securities with original maturities of more than 90 days at the time of purchase and which mature within one year, are carried at fair value.

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 for 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 give 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 2 to the financial statements.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. 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 the allowance and a credit to accounts receivable.

Inventories

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

Prepaid Expenses and Other Assets

Expenses, such as insurance premiums, that are expected to be of benefit within the next fiscal year are included in prepaid expenses.

Capital Assets

Capital assets are recorded at the estimated fair market value as of the date of acquisition. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Depreciation and amortization is provided for capital assets on a straight-line basis over the estimated useful life of the asset as follows:

Land improvements	10 years
Buildings and improvements	10 - 40 years
Furniture, fixtures and equipment	3 - 10 years
Infrastructure	10 - 20 years
Library materials	10 years
Subscription assets	2 - 5 years
Right of use asset, leased building	2 years

Notes to Financial Statements

Unearned Revenue

Revenue received prior to year-end that relates to the next fiscal period is recorded as unearned revenue. Unearned revenue at June 30, 2023 included $2,863,809 for the 2023 summer semester, which began on May 22, 2023 and ends on August 12, 2023; $13,420,974 for fall 2023 semester which begins August 21, 2023 and ends December 16, 2023; and $4,577,061 for winter 2024 semester which begins January 8, 2024 and ends May 6, 2024. Unearned tuition and fee revenue at June 30, 2022 includes $2,918,350 for the 2022 summer semester, which began on May 23, 2022 and ended on August 13, 2022; $12,223,420 for the fall 2022 semester which began on August 22, 2022 and ended December 17, 2022; and $3,954,923 for winter 2023 semester which began January 19, 2023 and ended May 8, 2023.

Gifts and Pledges

Gifts are recorded at estimated fair value when received and pledges are recorded at their net present value when it is determined that the gift is probable of collection.

Accrued Vacation

Accrued vacation and paid time off (PTO) represents the accumulated liability to be paid under the College's current vacation and PTO pay policy. Under the College's policy, employees earn vacation or PTO time based on their contract and time of service with the College.

Deferred Outflows of Resources

In addition to assets, the statements of net position report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period and so will not be recognized as an outflow of resources (expense) until that time. The College's deferred outflows of resources relate to the net pension and net OPEB liabilities. Additional disclosure is found in Note 4.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The College's inflows of resources relate to future lease payments obligated to the College as well as certain pension and OPEB related amounts. More detailed information can be found in Note 4 for the pension and OPEB related amounts.

Notes to Financial Statements

Pension and OPEB

For purposes of measuring the net pension and OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions 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.

Net Position

GASB Statement No. 34 establishes standards for external financial reporting of public colleges and universities and requires that resources be classified for accounting and reporting purposes into the following net position categories.

Net Investment in Capital Assets

Net investment in capital assets represents capital assets, net of accumulated depreciation and amortization and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position

Restricted net position represents amounts over which third parties have imposed restrictions that cannot be changed by the College. The restricted balance consists primarily of funds restricted for endowments, scholarships, grants, and other purposes.

Unrestricted Net Position

The College's unrestricted net position is as follows at June 30:

	2023	2022
Pension and OPEB deficit	$ (213,927,312)	$ (224,447,161)
Other unrestricted	188,615,708	235,036,665
Total	**$ (25,311,604)**	**$ 10,589,504**

Notes to Financial Statements

Revenue and Expenses

All transactions that result in sales and / or receipts from goods and services, such as tuition and fees and ticket sales from the Center for Performing Arts, are classified as operating revenue. All revenue sources that are primarily non-exchange in nature in which the College received value without directly giving equal value in return are classified as nonoperating revenue.

Property tax revenue is recognized in the year for which taxes have been levied. Property taxes are levied on July 1 and December 1 based on taxable values as of the preceding December 31. The taxes, which are collected and remitted to the College by townships and cities within the College district boundaries, are collected through February 28. Uncollected real property taxes of the College are turned over to Macomb County for subsequent collection. The College is subsequently paid 100 percent of delinquent real property taxes, net of chargebacks, through the County's tax revolving funds.

Property tax revenue levied for general operating/technology purposes was $45,866,868 and $43,742,687 based on $1.4077 and $1.4247 of tax per $1,000 of taxable property value in the College's taxing district for the years ended June 30, 2023 and 2022, respectively. At the May 8, 2018 election, the College's operating levy was renewed and restored to $1.464 of tax per $1,000 of taxable property for 20 years or through 2038.

State appropriations revenue has been recorded in accordance with the MUFR.

Operating expenses include the cost of services, administrative expenses, and depreciation and amortization on capital assets. All expenses not meeting this definition are reported as nonoperating expenses. For financial reporting purposes, restricted resources are deemed to be utilized first when both restricted and unrestricted resources are available to satisfy an expense.

Subscription-Based Information Technology Arrangements (SBITA), Including Change in Accounting Principle

For 2023, the College implemented Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements* ("SBITAs"). The standard requires recognition of certain right-to-use subscription assets and liabilities for contracts that convey control of the right to use another party's (a SBITA vendor's) information technology software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction. The implementation of the standard effective July 1, 2021, did not have a significant impact on the College's assets, liabilities, deferred inflows, net position, revenues, or expenses.

The present value of existing subscription-based agreements was $4,350,814 as of July 1, 2021, with the College recording both subscription-based right-to-use assets and related obligations for this amount (no impact on net position). The College also restated its statement of net position as of June 30, 2022 by increasing both assets and liabilities by $5,756,073 and $4,129,676, respectively. The net impact to fiscal 2022 expenses related to the implementation of GASB No. 96 was a nominal amount, and therefore, the College only reclassified the presentation of operating expenses by function in the statement of revenues, expenses and changes in net position for the year ended June 30, 2022. Additional disclosure is found in Notes 3 and 9.

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

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

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

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

2. CASH AND INVESTMENTS

Cash and Bank Deposits

Investment policies for cash and bank deposits as set forth by the Board of Trustees are in accordance with Michigan State law and authorize the College to invest in demand accounts, negotiable certificates of deposit, saving accounts, or other interest-earning deposit accounts of banks that are members of the Federal Deposit Insurance Corporation (FDIC) or National Credit Union Administration (NCUA). An estimated $1,250,000 of cash and deposits were covered by FDIC at both June 30, 2023 and 2022, and an estimated $18,115,000 and $54,940,000 of cash and deposits were not covered by FDIC insurance at June 30, 2023 and 2022, respectively. The standard maximum deposit covered by FDIC is $250,000 per financial institution.

Investments

Investment policies as set forth by the Board of Trustees also authorize the College to invest in bonds, bills or notes of the United States or of an agency or instrumentality of the United States or obligations of the State of Michigan or any of its political subdivisions and rated prime by at least one of the standard rating agencies. Funds may also be invested in commercial paper that is supported by an irrevocable letter of credit issued by a bank that is a member of the FDIC and commercial paper of corporations located in Michigan. Reports are submitted to the Board of Trustees monthly to ensure compliance with the prescribed policy.

Notes to Financial Statements

Fair Value Measurements

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, 2023 and 2022.

Certificates of deposit and commercial paper: Valued at face value plus accrued interest earned and classified as Level 1.

Government instrumentalities and municipal bonds: Level 1 fair value measurement is based upon the closing price reported in the active market in which the individual securities are traded.

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

2023	Total	Level 1	Level 2	Level 3
Government instrumentality bonds	$ 150,419,307	$ 150,419,307	$ -	$ -
Michigan municipal bonds	21,435,106	21,435,106	-	-
Certificates of deposit	252,656	252,656	-	-
Commercial paper	13,443,752	13,443,752	-	-
Total investments at fair value	**$ 185,550,821**	**$ 185,550,821**	**$ -**	**$ -**

2022	Total	Level 1	Level 2	Level 3
Government instrumentality bonds	$ 144,564,452	$ 144,564,452	$ -	$ -
Michigan municipal bonds	29,354,864	29,354,864	-	-
Certificates of deposit	2,138,345	2,138,345	-	-
Commercial paper	21,388,082	21,388,082	-	-
Total investments at fair value	**$ 197,445,743**	**$ 197,445,743**	**$ -**	**$ -**

Credit Risk

Investments in Government instrumentality bonds consist of Federal Home Loan Bank, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Federal Farm Credit Bureau and Government National Mortgage Association and are rated AA+ by Standard & Poor's, Aaa by Moody's and AAA by Fitch. The College also has investments in Michigan Municipal Bonds that are rated at or above Aa by Moody's and AA by Standard & Poor's.

Notes to Financial Statements

Interest Rate Risk

The College's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

As of June 30, the College investments mature as follows:

2023	Less Than One Year	1 - 5 Years	More Than 5 Years	Balance at June 30, 2023
Government instrumentality bonds	$ 18,152,364	$ 107,925,457	$ 24,341,486	$ 150,419,307
Michigan municipal bonds	2,911,968	12,443,130	6,080,008	21,435,106
Certificates of deposit	252,656	-	-	252,656
Commercial paper	13,443,752	-	-	13,443,752
Total investments	**$ 34,760,740**	**$ 120,368,587**	**$ 30,421,494**	**$ 185,550,821**

2022	Less Than One Year	1 - 5 Years	More Than 5 Years	Balance at June 30, 2022
Government instrumentality bonds	$ 7,490,863	$ 110,236,082	$ 26,837,507	$ 144,564,452
Michigan municipal bonds	9,400,401	10,593,448	9,361,015	29,354,864
Certificates of deposit	2,138,345	-	-	2,138,345
Commercial paper	21,388,082	-	-	21,388,082
Total investments	**$ 40,417,691**	**$ 120,829,530**	**$ 36,198,522**	**$ 197,445,743**

Portions of these investments are reported as short-term investments on the statements of net position.

Custodial Credit Risk

The College's investment policy does not address custodial credit risk. However, all of the investments are in the name of the College, as applicable, and the investments are held in trust accounts with each financial institution from which they wired.

Concentration of Credit Risk

Certificates of deposit and commercial paper investments are limited in any given financial institution or issuer to no more than 50 percent of the capitalization value of the institution and not greater than $18,900,000. The College's investment policy does not limit investments in Governmental instrumentality or Michigan municipal bonds.

Notes to Financial Statements

More than five percent of the College's investments were invested as follows at June 30:

Issuer	2023	2022
Federal Home Loan Bank	19%	12%
Federal National Mortgage Association	13%	19%
Federal Home Loan Mortgage Co.	12%	14%
Federal Farm Credit Bureau	21%	15%
U.S. Treasury	10%	9%

Notes to Financial Statements

3. CAPITAL ASSETS

The following tables present the changes in the various capital asset class categories for the years ended June 30:

2023	Beginning Balance	Additions	Transfers/ Deletion	Ending Balance
Capital assets not being depreciated:				
Land	$ 7,866,936	$ -	$ -	$ 7,866,936
Construction in progress	9,500,088	20,615,923	(9,500,088)	20,615,923
Total nondepreciable capital assets	17,367,024	20,615,923	(9,500,088)	28,482,859
Capital assets being depreciated/amortized:				
Land improvement	7,014,336	-	-	7,014,336
Building and improvements	347,285,955	37,028,810	9,492,397	393,807,162
Infrastructure	20,110,559	3,616,291	-	23,726,850
Furniture, fixtures, and equipment	77,318,518	5,227,174	(1,649,926)	80,895,766
Library materials	2,335,954	58,344	-	2,394,298
Subscription assets	5,756,073	2,661,257	(401,313)	8,016,017
Right of use asset, leased building	569,688	-	-	569,688
Total depreciable capital assets	460,391,083	48,591,876	7,441,158	516,424,117
Less accumulated depreciation/amortization				
Land improvement	6,591,244	186,725	-	6,777,969
Building and improvements	223,316,769	17,269,406	(7,690)	240,578,485
Infrastructure	15,281,470	1,087,262	-	16,368,732
Furniture, fixtures, and equipment	62,683,944	5,633,875	(1,632,982)	66,684,837
Library materials	1,664,992	151,578	-	1,816,570
Subscription assets	1,406,664	2,255,281	(401,313)	3,260,632
Right of use asset, leased building	284,979	284,709	-	569,688
Total accumulated depreciation/ amortization	311,230,062	26,868,836	(2,041,985)	336,056,913
Capital assets being depreciated/amortized, net	149,161,021	21,723,040	9,483,143	180,367,204
Total capital assets, net	**$ 166,528,045**	**$ 42,338,963**	**$ (16,945)**	**$ 208,850,063**

Notes to Financial Statements

2022	Beginning Balance *	Additions	Transfers/ Deletion	Ending Balance
Capital assets not being depreciated:				
Land	$ 7,866,936	$ -	$ -	$ 7,866,936
Construction in progress	4,119,306	9,500,087	(4,119,305)	9,500,088
Total nondepreciable capital assets	11,986,242	9,500,087	(4,119,305)	17,367,024
Capital assets being depreciated/amortized:				
Land improvement	7,014,336	-	-	7,014,336
Building and improvements	337,345,634	5,821,015	4,119,306	347,285,955
Infrastructure	20,110,559	-	-	20,110,559
Furniture, fixtures, and equipment	73,381,156	5,999,285	(2,061,923)	77,318,518
Library materials	2,182,172	153,782	-	2,335,954
Subscription assets	4,350,814	1,405,259	-	5,756,073
Right of use asset, leased building	569,688	-	-	569,688
Total depreciable capital assets	444,954,359	13,379,341	2,057,383	460,391,083
Less accumulated depreciation/amortization				
Land improvement	6,404,519	186,725	-	6,591,244
Building and improvements	208,261,576	15,055,193		223,316,769
Infrastructure	14,349,778	931,692	-	15,281,470
Furniture, fixtures, and equipment	59,346,517	5,384,087	(2,046,660)	62,683,944
Library materials	1,509,829	155,163	-	1,664,992
Subscription assets	-	1,406,664	-	1,406,664
Right of use asset, leased building	-	284,979	-	284,979
Total accumulated depreciation/amortization	289,872,219	23,404,503	(2,046,660)	311,230,062
Capital assets being depreciated/amortized, net	155,082,140	(10,025,162)	4,104,043	149,161,021
Total capital assets, net	**$ 162,717,568**	**$ (523,670)**	**$ (15,262)**	**$ 166,528,045**

* The College implemented the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements,* in the current year. In accordance with this Statement, subscription assets have been added to the beginning balances shown above and a corresponding subscription payable has been recorded for the same amount.

Notes to Financial Statements

Four buildings on campus were partially 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 buildings, 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 is included in the accompanying statements of net position.

4. RETIREMENT PLANS

Defined Benefit Pension Plan

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 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.

Notes to Financial Statements

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

Contributions

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2021 valuation will be amortized over a 17-year period beginning October 1, 2021 and ending September 30, 2038.

The table below summarizes pension contribution rates in effect for fiscal year 2023, which excludes supplemental MPSERS UAAL employer stabilization contributions that are passed through the College to MPSERS based on rates ranging from 15.05% - 16.65% on prior year covered payroll:

Benefit Structure	Member Rates	Employer Rates
Basic	0.00% - 4.00%	20.14% - 20.16%
Member Investment Plan (MIP)	3.00% - 7.00%	20.14% - 20.16%
Pension Plus	3.00% - 6.40%	17.22% - 17.24%
Pension Plus 2	6.20%	19.93% - 19.95%
Defined Contribution	0.00%	13.73% - 13.75%

The College's required contributions to the pension plans were approximately $28,955,000, $20,772,000, and $19,719,000 for the years ended June 30, 2023, 2022 and 2021, respectively.

Notes to Financial Statements

The table below summarizes OPEB contribution rates in effect for fiscal year 2023:

Benefit Structure	Member Rates	Employer Rates
Premium subsidy	3.00%	8.07% - 8.09%
Personal healthcare fund (PHF)	0.00%	7.21% - 7.23%

Required contributions to the OPEB plan from the College were approximately $4,772,000, $4,722,000 and $4,638,000 for the years ended June 30, 2023, 2022, and 2021 respectively.

The table below summarizes defined contribution rates in effect for fiscal year 2023:

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, 2023, 2022 and 2021, required and actual contributions for the College for those members with a defined contribution benefit were $920,689, $557,818, and $425,511, respectively.

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

At June 30, 2023 and 2022, the College reported a liability of $236,340,623 and $156,545,383, respectively, for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2022 and 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2021 and 2020. 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, 2022, the College's proportion was 0.62842%, which was a decrease of 0.03280% points from its proportion measured as of September 30, 2021 of 0.66122%.

Notes to Financial Statements

For the year ended June 30, 2023, the College recognized pension expense of approximately $23,808,000. At June 30, 2023, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

2023	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	$ 2,364,231	$ 528,432	$ 1,835,799
Changes in assumptions	40,611,788	-	40,611,788
Net difference between projected and actual earnings on pension plan investments	554,219	-	554,219
Changes in proportion and differences between employer contributions and proportionate share of contributions	17,031	11,863,210	(11,846,179)
	43,547,269	12,391,642	31,155,627
College contributions subsequent to the measurement date	26,481,377	-	26,481,377
Pension portion of Sec 147c state aid award subsequent to the measurement date	-	16,932,753	(16,932,753)
Total	**$ 70,028,646**	**$ 29,324,395**	**$ 40,704,251**

The amount reported as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. The amount 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, 2024. 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	Amounts
2024	$ 7,921,577
2025	5,406,631
2026	5,120,037
2027	12,707,382
Total	$ 31,155,627

Notes to Financial Statements

For the year ended June 30, 2022, the College recognized pension expense of approximately $14,333,000. At June 30, 2022, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

2022	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	$ 2,424,955	$ 921,866	$ 1,503,089
Changes in assumptions	9,868,061	-	9,868,061
Net difference between projected and actual earnings on pension plan investments	-	50,328,838	(50,328,838)
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	7,249,753	(7,249,753)
	12,293,016	58,500,457	(46,207,441)
College contributions subsequent to the measurement date	18,925,034	-	18,925,034
Pension portion of Sec 147c state aid award subsequent to the measurement date	-	9,514,217	(9,514,217)
Total	**$ 31,218,050**	**$ 68,014,674**	**$ (36,796,624)**

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

At June 30, 2023 and 2022, the College reported a liability of $13,655,079 and $9,681,002, respectively, for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2022 and 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 30, 2021 and 2020. 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, 2022, the College's proportion was 0.64470%, which was an increase of 0.01045% points from its proportion measured as of September 30, 2021 of 0.63425%.

Notes to Financial Statements

For the year ended June 30, 2023, the College recognized a reduction to OPEB expense of approximately $6,313,000. At June 30, 2023, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

2023	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	$ -	$ 26,745,069	$ (26,745,069)
Changes in assumptions	12,171,210	991,049	11,180,161
Net difference between projected and actual earnings on OPEB plan investments	1,067,252	-	1,067,252
Changes in proportion and differences between share of contributions	594,283	2,736,629	(2,142,346)
	13,832,745	30,472,747	(16,640,002)
College contributions subsequent to the measurement date	3,773,943	-	3,773,943
Total	**$ 17,606,688**	**$ 30,472,747**	**$ (12,866,059)**

The amount reported as deferred outflows of resources related to OPEB resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2024. 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	Amounts
2024	$ (6,012,636)
2025	(5,193,467)
2026	(4,621,150)
2027	(634,232)
2028	(203,188)
Thereafter	24,671
Total	$ (16,640,002)

Notes to Financial Statements

For the year ended June 30, 2022, the College recognized a reduction to OPEB expense of approximately $6,513,000. At June 30, 2022, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

2022	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	$ -	$ 27,633,731	$ (27,633,731)
Changes in assumptions	8,092,837	1,210,991	6,881,846
Net difference between projected and actual earnings on OPEB plan investments	-	7,296,745	(7,296,745)
Changes in proportion and differences between share of contributions	76,057	3,858,338	(3,782,281)
	8,168,894	39,999,805	(31,830,911)
College contributions subsequent to the measurement date	3,915,291	-	3,915,291
Total	**$ 12,084,185**	**$ 39,999,805**	**$ (27,915,620)**

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.

Notes to Financial Statements

The total pension and OPEB liabilities in the September 30, 2021 and 2020 actuarial valuations (for the fiscal years ended June 30, 2023 and 2022) 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	6.00% (6.80% in 2020)
Pension Plus plan (hybrid)	6.00% (6.80% in 2020)
Pension Plus 2 plan (hybrid)	6.00%
OPEB plans	6.00% (6.95% in 2020)
Projected salary increases	2.75% - 11.55%, including wage inflation at 2.75%
Cost-of-Living Adjustment	3.0% annual non-compounded for MIP Members
Healthcare Cost trend rate	Pre-65: 7.75% Year 1 graded to 3.5% Year 15; 3.0% Year 120 Post-65: 5.25% Year 1 graded to 3.5% Year 15; 3.0% Year 120
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 elections at retirement	75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Notes to Financial Statements

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2018 valuation. The total pension and OPEB liabilities as of September 30, 2022, are based on the results of an actuarial valuation date of September 30, 2021, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for pension liabilities is 4.3922 years which is the average of the expected remaining service lives of all employees. The recognition period for OPEB liabilities is 6.2250 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, 2018 valuation. The total pension and OPEB liabilities as of September 30, 2021, are based on the results of an actuarial valuation date of September 30, 2020, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for pension liabilities is 4.4367 years which is the average of the expected remaining service lives of all employees. The recognition period for OPEB liabilities is 6.1312 years which is the average of the expected remaining service lives of all employees. The recognition period for assets is 5 years.

Changes in assumptions - September 30, 2021 Valuation. The payroll growth assumption for amortization purposes used in determining the fiscal year 2024 employer contributions decreased from 2.5% to 2.0%. Additionally, the discount rate used in the September 30, 2021 actuarial valuation decreased to 6.00% for the MIP and Basic plans, 6.00% for the Pension Plus Plan, and 6.00% for OPEB.

Changes in assumptions - September 30, 2020 Valuation. The payroll growth assumption for amortization purposes used in determining the fiscal year 2023 employer contributions decreased from 3.0% to 2.5%. The healthcare cost trend rate used in the September 30, 2020 actuarial valuation increased to 7.75%.

Notes to Financial Statements

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, 2022 and 2021, are summarized in the following tables:

	2022			2021		
Asset Class	**Target Allocation**	**Long-Term Expected Real Rate of Return**	**Expected Money Weighted Rate of Return**	**Target Allocation**	**Long-Term Expected Real Rate of Return**	**Expected Money Weighted Rate of Return**
Domestic equity pools	25.00%	4.77%	1.19%	25.00%	5.09%	1.27%
Private equity pools	16.00%	8.13%	1.30%	16.00%	8.58%	1.37%
International equity pools	15.00%	6.26%	0.94%	15.00%	7.08%	1.06%
Fixed income pools	13.00%	-0.19%	-0.02%	10.50%	-0.73%	-0.08%
Real estate and infrastructure pools	10.00%	4.95%	0.50%	10.00%	5.12%	0.51%
Absolute return pools	9.00%	2.52%	0.23%	9.00%	2.42%	0.22%
Real return/opportunistic pools	10.00%	5.42%	0.54%	12.50%	5.73%	0.72%
Short-term investment pools	2.00%	-0.47%	-0.01%	2.00%	-1.29%	-0.03%
	100.00%		4.67%	100.00%		5.04%
Inflation			2.20%			2.00%
Risk adjustment			-0.87%			-0.24%
Investment rate of return			6.00%			6.80%

Notes to Financial Statements

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, 2022 and 2021, are summarized in the following tables:

	2022			2021		
Asset Class	**Target Allocation**	**Long-Term Expected Real Rate of Return**	**Expected Money Weighted Rate of Return**	**Target Allocation**	**Long-Term Expected Real Rate of Return**	**Expected Money Weighted Rate of Return**
Domestic equity pools	25.00%	4.77%	1.19%	25.00%	5.09%	1.27%
Private equity pools	16.00%	8.13%	1.30%	16.00%	8.58%	1.37%
International equity pools	15.00%	6.26%	0.94%	15.00%	7.08%	1.06%
Fixed income pools	13.00%	-0.19%	-0.02%	10.50%	-0.73%	-0.08%
Real estate and infrastructure pools	10.00%	4.95%	0.50%	10.00%	5.12%	0.51%
Absolute return pools	9.00%	2.52%	0.23%	9.00%	2.42%	0.22%
Real return/opportunistic pools	10.00%	5.42%	0.54%	12.50%	5.73%	0.72%
Short-term investment pools	2.00%	-0.47%	-0.01%	2.00%	-1.29%	-0.03%
	100.00%		4.67%	100.00%		5.04%
Inflation			2.20%			2.00%
Risk adjustment			-0.87%			-0.09%
Investment rate of return			6.00%			6.95%

Rate of Return

For the fiscal year ended September 30, 2022, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was -4.18% and -4.99%, respectively. For the fiscal year ended September 30, 2021, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 27.30% and 27.14%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

For the fiscal year ended September 30, 2022, a discount rate of 6.00% was used to measure the total pension and OPEB liabilities. This discount rate was based on the long-term expected rate of return on pension and OPEB plan investments of 6.00%. The projection of cash flows used to determine these discount rates assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension and OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension and OPEB liabilities.

For the fiscal year ended September 30, 2021, 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 the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 6.00%, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher as of June 30, 2023:

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
College's proportionate share of the net pension liability	$ 311,881,821	$ 236,340,623	$ 174,091,274

Notes to Financial Statements

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, 2022:

	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	$ 223,817,443	$ 156,545,383	$ 100,772,433

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 6.00%, 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, 2023:

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
College's proportionate share of the net OPEB liability	$ 22,905,082	$ 13,655,079	$ 5,865,429

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, 2022:

	1% Decrease (5.95%)	Current Discount Rate (6.95%)	1% Increase (7.95%)
College's proportionate share of the net OPEB liability	$ 17,989,049	$ 9,681,002	$ 2,630,437

Notes to Financial Statements

Sensitivity of the College's Proportionate Share of the Net OPEB Liability to 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, 2023:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
College's proportionate share of the net OPEB liability	$ 5,718,094	$ 13,655,079	$ 22,564,502

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, 2022:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
College's proportionate share of the net OPEB liability	$ 2,356,279	$ 9,681,002	$ 17,922,197

Pension and OPEB Plans Fiduciary Net Position

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

Payable to the Pension Plan

At June 30, 2023, the College reported a payable of $2,416,704 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2023. At June 30, 2022, the College reported a payable of $2,145,244 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2022.

Payable to the OPEB Plan

At June 30, 2023, the College reported a payable of $34,560 for the outstanding amount of OPEB contributions to the Plan required for the year ended June 30, 2023. At June 30, 2022, the College reported a payable of $196,128 for the outstanding amount of OPEB contributions to the Plan required for the year ended June 30, 2022.

Optional Defined Contribution Plan

Professional employees of the College may elect to participate in an optional retirement program (ORP) in lieu of participating in the MPSERS plan. The ORP is a defined contribution plan affiliated with the Teachers Insurance and Annuity Association and the College Retirement Equities Fund (TIAA-CREF). Under the ORP, the College contributes 11.5 percent, and the participant contributes 3.9 percent of the participant's compensation. Total covered payroll and College contributions for the years ended June 30, 2023 and 2022 were approximately $8,022,000 and $923,000 and $7,915,000 and $910,000, respectively.

In addition to the MPSERS and ORP plans, the College also provides deferred compensation plans to all of its full-time employees under Sections 403(b) and 457(b) of the U.S. Internal Revenue Code. The College contributes varying amounts up to 7 percent of salary for certain employee groups. Employees may make elective deferrals up to amounts allowable by current tax law. In accordance with these requirements, the College contributed approximately $1,214,000 and $1,409,000 and the employees contributed approximately $3,030,000 and $3,146,000 for the years ended June 30, 2023 and 2022, respectively.

5. FEDERAL DIRECT LENDING PROGRAM

The College distributed $5,212,246 and $4,266,105 for student loans through the U.S. Department of Education federal direct lending program for the years ended June 30, 2023 and 2022, respectively. These distributions and related funding source are not included as revenues or expenses in the accompanying financial statements.

6. LONG TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2023 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Accrued Vacation	$ 3,455,543	$ 213,236	$ 291,263	$ 3,377,516	$ 274,599

Long-term liability activity for the year ended June 30, 2022 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Accrued Vacation	$ 3,701,076	$ 196,998	$ 442,531	$ 3,455,543	$ 257,589

Notes to Financial Statements

7. SELF INSURANCE

The College is partially self-insured for vision and healthcare benefits. The self-insured healthcare plan covers approximately 587 employees and their dependents. Claims are funded by the College and paid by the plan administrator; actual payments are based on claims filed. An insurance policy covers claims in excess of $175,000 per covered employee and/or their dependent. The College pays the administrative costs of the plan.

Self-insured employee benefit liability at June 30 are as follows:

	2023	2022	2021
Balance, Beginning of year	$ 712,000	$ 900,000	$ 545,000
Claims incurred and changes in estimates	9,526,091	8,946,244	8,496,086
Claim and premium payments	(9,376,091)	(9,134,244)	(8,141,086)
Balance, end of year	**$ 862,000**	**$ 712,000**	**$ 900,000**

8. RISK MANAGEMENT

The College is exposed to various risks of loss related to property loss, errors and omissions, workers' compensation, as well as medical benefits provided to employees.

The College has purchased commercial insurance for medical benefit and workers' compensation claims and participates in the Michigan Community College Risk Management Authority risk pool for all other types of claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Community College Risk Management Authority risk pool program operates as a claims servicing pool for amounts up to member retention limits and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority, which the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the College.

9. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

The College is involved in 40 agreements that qualify as long-term subscription-based information technology ("SBITA") agreements as of June 30, 2023. Below is a summary of the nature of these agreements. These agreements qualify as intangible, right-to-use subscription assets as the College has the control of the right to use another party's IT software and the noncancelable term of the agreement surpasses one year. The present values are discounted using incremental borrowing interest rates ranging from 0.245 percent to 3.378 percent.

Notes to Financial Statements

Asset Type	Remaining Term of Agreements
Subscription assets	2 to 3 years

The assets acquired through subscription-based information technology agreements are summarized as follows at June 30:

	2023	2022
Subscription assets	$ 8,016,017	$ 5,756,073
Less accumulated amortization	(3,260,632)	(1,406,664)
Net book value	$ 4,755,385	$ 4,349,409

The net present value of future minimum payments as of June 30, 2023, were as follows:

Year Ended June 30	Principal	Interest
2024	$ 1,948,872	$ 54,350
2025	1,524,117	28,490
2026	668,796	4,623
Total	$ 4,141,785	$ 87,463

Subscription liability activity for the year ended June 30, 2023, was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Subscription payable	$ 4,129,676	$ 2,554,557	$ 2,542,448	$ 4,141,785	$ 1,948,872

Subscription liability activity for the year ended June 30, 2022, was as follows:

	Beginning Balance *	Additions	Deductions	Ending Balance	Due Within One Year
Subscription payable	$ 4,350,814	$ 1,405,259	$ 1,626,397	$ 4,129,676	$ 1,413,461

***** The College implemented the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements,* in the current year. In accordance with this Statement, subscription payables have been added to the beginning balances shown above and a corresponding subscription asset has been recorded for the same amount.

Notes to Financial Statements

10. LEASES

The College is a lessee in a building lease that qualifies as a long-term lease agreement. This agreement qualifies as intangible, right-to-use assets and not a financed purchase, as the College will not own the building at the end of the contract term and the noncancelable term of the agreement surpasses one year at inception. The present value is discounted using an interest rate of 2 percent based on the College's incremental borrowing rate. The lease expired in June 2023. The College implemented the provisions of GASB Statement No. 87, *Leases* , on July 1, 2021, and at that time, recorded a right of use asset, leased building of $569,688 and a corresponding lease obligation for the same amount. At June 30, 2023, accumulated amortization is $569,688.

The College is a lessor in an agreement that qualifies as a long-term lease agreement of a building. The agreement qualifies as a long-term lease agreement as the College will not surrender control of the asset at the end of the term and the noncancelable term of the agreement surpasses one year. The present value is discounted using the stated interest rate in the lease agreement of 4 percent. Total lease revenue for the years ended June 30, 2023 and 2022 was $370,944. The lease agreement expires in June 2030. The College implemented the provisions of GASB Statement No. 87, *Leases* , on July 1, 2021, and at that time, recorded a lease receivable of $2,809,090 and a corresponding deferred inflows of resources for the same amount. Payments applied to the receivable in 2023 and 2022 totaled $274,550 and $273,087, respectively.

11. COMMITMENTS, CONTINGENCIES, AND CAPITAL OUTLAY

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

The College conducts certain programs pursuant to grants and contracts funded, and subject to audit, by various federal and state agencies. Amounts questioned as a result of audits, if any, may result in refunds to these governmental agencies. Any liabilities for reimbursements which may arise as the result of these audits is not believed to be material.

The College has various renovation and capital improvement projects in process at June 30, 2023. Total future Plant Fund commitments related to these projects approximates $34.6 million.

Notes to Financial Statements

12. MACOMB COMMUNITY COLLEGE FOUNDATION

All investments of the Foundation are either donor-restricted endowments, donor-restricted grants, Foundation designated endowments or College designated endowments. The Foundation's investments are stated at fair value based on quoted market prices for active market assets using Level 1 inputs.

The fair value of the Foundation investments in mutual funds at June 30 are as follows:

Mutual Fund Type	2023	2022
Equity	$ 23,417,856	$ 17,881,574
Fixed income	9,050,550	8,508,475
Balanced	131,019	75,132
Total	**$ 32,599,425**	**$ 26,465,181**

The net position and all activity of the Foundation are reported as a discretely presented component unit in the College's financial statements. The net position of the Foundation totaled $32,961,813 and $26,548,871 at June 30, 2023 and 2022, respectively.

Unrestricted net position, expendable endowments, scholarships and grants and nonexpendable endowments are available for the following purposes at June 30:

	Unrestricted Net Position	Expendable Endowments, Scholarships and Grants	Nonexpendable Endowments	Total June 30, 2023
College designated	$ 13,789,315	$ -	$ -	$ 13,789,315
Center for Performing Arts	-	1,853,520	2,538,288	4,391,808
Innovation Fund	557,293	-	-	557,293
Scholarship and financial aid	-	2,765,427	5,664,685	8,430,112
Foundation designated	890,307	-	-	890,307
Library and other programs	-	829,478	4,073,500	4,902,978
Total	**$ 15,236,915**	**$ 5,448,425**	**$ 12,276,473**	**$ 32,961,813**

Notes to Financial Statements

	Unrestricted Net Position	Expendable Endowments, Scholarships and Grants	Nonexpendable Endowments	Total June 30, 2022
College designated	$ 12,816,024	$ -	$ -	$ 12,816,024
Center for Performing Arts	-	1,585,422	2,585,512	4,170,934
Innovation Fund	505,880	-	-	505,880
Scholarship and financial aid	-	2,178,250	4,504,353	6,682,603
Foundation designated	782,920	-	-	782,920
Library other	-	525,775	1,064,735	1,590,510
Total	**$ 14,104,824**	**$ 4,289,447**	**$ 8,154,600**	**$ 26,548,871**

Through a resolution by the Foundation's Board of Directors, the Foundation distributes four percent of the three-year average fair market value of the investment total to the College for purposes specified by donors not to exceed the Foundation's net assets with donor restrictions for expendable endowments, scholarships and grants. In addition, the Foundation distributes all donations and grant awards received by the Foundation on behalf of the College for educational and cultural activities. The College provided approximately $692,000 and $567,000 in personnel support, supplies, equipment, software, and office space to the Foundation in 2023 and 2022, respectively.

13. 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 prohibited 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 on-campus operations including on-campus learning, on-campus student services, food service and conference services during the Spring/Summer and Fall 2020 semesters and continued through June 30, 2021. In fiscal year 2022, in person services resumed on campus. In response to the pandemic, the College was allocated funding from the Higher Education Emergency Relief Fund (HEERF) in the amount of approximately $66.9 million for student emergency grants and institutional funding though the three federal stimulus packages passed in March 2020, December 2020 and March 2021. During the year ended June 30, 2022, the College awarded eligible students $18.6 million from the student emergency grant funding from the HEERF allocation. The College also incurred $17.3 million in eligible institutional costs under HEERF. During the year ended June 30, 2023, the College incurred $1.6 million in institutional HEERF and closed out the HEERF grant. 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 continue to change and still cannot be reasonably predicted at this time.

Notes to Financial Statements

14. RELATED PARTY TRANSACTIONS

Aside from those transactions described herein with the Foundation, the College has entered into no related party transactions.

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REQUIRED SUPPLEMENTARY INFORMATION
MPSERS COST-SHARING MULTIPLE-EMPLOYER PLAN

MACOMB COMMUNITY COLLEGE

Required Supplementary Information (Unaudited)

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

	Year Ended June 30								
	2023	2022	2021	2020	2019	2018	2017	2016	2015
College's proportion of the net pension liability									
As a percentage	0.62842%	0.66122%	0.67838%	0.69065%	0.70173%	0.71078%	0.71142%	0.69092%	0.66062%
Amount	$ 236,340,623	$ 156,545,383	$ 233,029,930	$ 228,719,483	$ 210,953,866	$ 184,192,399	$ 177,493,906	$ 168,757,285	$ 145,510,485
College's covered payroll	$ 62,779,980	$ 57,488,099	$ 59,176,221	$ 59,604,395	$ 59,109,357	$ 59,740,411	$ 62,468,744	$ 60,441,372	$ 58,164,877
College's proportionate share of the net pension liability as a percentage of its covered payroll	376.46%	272.31%	393.79%	383.76%	356.89%	308.32%	284.13%	279.21%	250.25%
Plan fiduciary net position as a percentage of the total pension liability	60.77%	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

Schedule of College's Pension Contributions

	Year Ended June 30								
	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	$ 28,954,786	$ 20,772,082	$ 19,719,412	$ 20,131,279	$ 18,299,875	$ 18,986,085	$ 17,387,065	$ 16,515,705	$ 12,775,183
Contributions in relation to the contractually required contributions	(28,954,786)	(20,772,082)	(19,719,412)	(20,131,279)	(18,299,875)	(18,968,085)	(17,387,065)	(16,515,705)	(12,775,183)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
College's covered payroll	$ 63,941,001	$ 59,849,278	$ 56,756,046	$ 60,098,953	$ 60,452,401	$ 59,064,225	$ 60,170,241	$ 60,996,256	$ 60,027,383
Contributions as a percentage of covered payroll	45.28%	34.71%	34.74%	33.50%	30.27%	32.14%	28.90%	27.08%	21.28%

See notes to required supplementary information.

MACOMB COMMUNITY COLLEGE

Required Supplementary Information (Unaudited)

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

	Year Ended June 30					
	2023	2022	2021	2020	2019	2018
College's proportion of the net OPEB liability						
Amount	$ 13,655,079	$ 9,681,002	$ 35,645,229	$ 48,803,271	$ 55,036,439	$ 63,099,138
As a percentage	0.64470%	0.63425%	0.66536%	0.67992%	0.69237%	0.71254%
College's covered payroll	$ 62,779,980	$ 57,488,099	$ 59,176,221	$ 59,604,395	$ 59,109,357	$ 59,740,411
College's proportionate share of the net OPEB liability as a percentage of its covered payroll	21.75%	16.84%	60.24%	81.88%	93.11%	105.62%
Plan fiduciary net position as a percentage of the total OPEB liability	83.09%	87.33%	59.44%	48.46%	42.95%	36.39%

Schedule of College's Other Postemployment Benefits Contributions

	Year Ended June 30					
	2023	2022	2021	2020	2019	2018
Contractually required contribution	$ 4,771,950	$ 4,722,220	$ 4,637,830	$ 4,752,527	$ 4,620,999	$ 3,368,794
Contributions in relation to the contractually required contribution	(4,771,950)	(4,722,220)	(4,637,830)	(4,752,527)	(4,620,999)	(3,368,794)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
College's covered payroll	$ 63,941,001	$ 59,849,278	$ 56,756,046	$ 60,098,953	$ 60,452,401	$ 59,064,225
Contributions as a percentage of covered payroll	7.46%	7.89%	8.17%	7.91%	7.64%	5.70%

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:

- 2023 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2024 employer contributions decreased from 2.5% to 2.0%. Additionally, the discount rate used in the September 30, 2021 actuarial valuation decreased to 6.00% for the MIP and Basic plans, and 6.00% for the Pension Plus Plan.
- 2022 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2023 employer contributions decreased from 3.0% to 2.5%.
- 2021 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2022 employer contributions decreased from 3.5% to 3.0%.
- 2020 - The discount rate used in the September 30, 2018 actuarial valuation decreased to 6.80% for the MIP and Basic plans, 6.80% for the Pension Plus Plan, and 6.00% for the Pension Plus 2 Plan.
- 2019 - The discount rate used in the September 30, 2017 actuarial valuation decreased to 7.05% for the MIP and Basic plans, 7.00% for the Pension Plus plan, and 6.00% for the Pension Plus 2 plan.
- 2018 - The discount rate used in the September 30, 2016 actuarial valuation decreased to 7.50% for the MIP and Basic plans and 7.00% for the Pension Plus plan.

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:

- 2023 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2024 employer contributions decreased from 2.5% to 2.0%. Additionally, the discount rate used in the September 30, 2021 actuarial valuation decreased to 6.00%.
- 2022 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2023 employer contributions decreased from 3.0% to 2.5%. The healthcare cost trend rate used in the September 30, 2020 actuarial valuation increased to 7.75%.
- 2021 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2022 employer contributions decreased from 3.5% to 3.0%. The healthcare cost trend rate used in the September 30, 2019 actuarial valuation decreased to 7.0%.
- 2020 - The discount rate used in the September 30, 2018 actuarial valuation decreased to 6.95%.
- 2019 - The discount rate used in the September 30, 2017 actuarial valuation decreased to 7.15%.

SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED
JUNE 30, 2023 (UNAUDITED)

MACOMB COMMUNITY COLLEGE

Combining Statement of Net Position (Unaudited)

June 30, 2023

	Combined Total	General Fund	Pension and OPEB Liability Fund *	Expendable Restricted Fund	Student Loan Fund	Plant Fund	Agency Fund
Assets							
Current assets							
Cash and cash equivalents	$ 19,118,726	$ 19,118,726	$ -	$ -	$ -	$ -	$ -
Short-term investments	34,760,740	34,760,740	-	-	-	-	-
Property taxes receivable, net	90,846	90,846	-	-	-	-	-
State appropriation receivable	13,616,599	6,538,023	2,174,199	-	-	4,904,377	-
Accounts receivable, net	18,883,162	18,883,162	-	-	-	-	-
Federal and state grants receivable	2,357,043	-	-	2,357,043	-	-	-
Student loans receivable	49,696	-	-	-	49,696	-	-
Current portion of lease receivable	285,684	-	-	-	-	285,684	-
Inventories	174,372	174,372	-	-	-	-	-
Prepaid expenses and other assets	3,445,450	3,396,186	-	49,264	-	-	-
Total current assets	**92,782,318**	**82,962,055**	**2,174,199**	**2,406,307**	**49,696**	**5,190,061**	**-**
Long-term investments	150,790,081	150,790,081	-	-	-	-	-
Capital assets not being depreciated							
Land	7,866,937	-	-	-	-	7,866,937	-
Construction in progress	20,615,922	-	-	-	-	20,615,922	-
Total capital assets not being depreciated	**28,482,859**	**-**	**-**	**-**	**-**	**28,482,859**	**-**
Capital assets being depreciated/amortized, net							
Land improvements	236,365	-	-	-	-	236,365	-
Infrastructure	7,358,117	-	-	-	-	7,358,117	-
Buildings and improvements	153,228,678	-	-	-	-	153,228,678	-
Equipment and library materials	14,788,659	-	-	-	-	14,788,659	-
Subscription assets	4,755,385	-	-	-	-	4,755,385	-
Total capital assets being depreciated/amortized, net	**180,367,204**	**-**	**-**	**-**	**-**	**180,367,204**	**-**
Lease receivable, net of current portion	**1,975,769**	**-**	**-**	**-**	**-**	**1,975,769**	**-**
Total assets	**454,398,231**	**233,752,136**	**2,174,199**	**2,406,307**	**49,696**	**216,015,893**	**-**
Deferred outflows of resources							
Deferred pension amounts	70,028,646	-	70,028,646	-	-	-	-
Deferred OPEB amounts	17,606,688	-	17,606,688	-	-	-	-
Total deferred outflows of resources	**87,635,334**	**-**	**87,635,334**	**-**	**-**	**-**	**-**
Liabilities							
Current liabilities							
Accounts payable	9,140,971	7,238,367	1,902,604	-	-	-	-
Accrued payroll and other compensation	5,875,398	5,770,362	-	87,140	-	17,896	-
Other accrued liabilities	6,751,427	1,302,820	-	440	-	5,448,167	-
Deposits	1,148,871	969,783	-	-	-	-	179,088
Unearned revenue	21,263,098	21,215,940	-	19,915	-	-	27,243
Current portion of subscription based IT agreement liabilities	1,948,872	-	-	-	-	1,948,872	-
Due to (from) other funds	-	139,659,377	(7,958,603)	(2,384,087)	49,696	(129,160,052)	(206,331)
Total current liabilities	**46,128,637**	**176,156,649**	**(6,055,999)**	**(2,276,592)**	**49,696**	**(121,745,117)**	**-**
Subscription based IT agreements liabilities, net of current portion	2,192,913	-	-	-	-	2,192,913	-
Accrued vacation, net of current portion	3,102,917	3,102,917	-	-	-	-	-
Net pension liability	236,340,623	-	236,340,623	-	-	-	-
Net OPEB liability	13,655,079	-	13,655,079	-	-	-	-
Total liabilities	**301,420,169**	**179,259,566**	**243,939,703**	**(2,276,592)**	**49,696**	**(119,552,204)**	**-**
Deferred inflows of resources							
Deferred lease amounts	2,184,848	-	-	-	-	2,184,848	-
Deferred pension amounts	29,324,395	-	29,324,395	-	-	-	-
Deferred OPEB amounts	30,472,747	-	30,472,747	-	-	-	-
Total deferred inflows of resources	**61,981,990**	**-**	**59,797,142**	**-**	**-**	**2,184,848**	**-**
Net position (deficit)							
Net investment in capital assets	199,260,111	-	-	-	-	199,260,111	-
Restricted for expendable endowments, scholarships and grants	4,682,899	-	-	4,682,899	-	-	-
Unrestricted (deficit)	(25,311,604)	54,492,570	(213,927,312)	-	-	134,123,138	-
Total net position (deficit)	**$ 178,631,406**	**$ 54,492,570**	**$ (213,927,312)**	**$ 4,682,899**	**$ -**	**$ 333,383,249**	**$ -**

* The Pension and OPEB Liability Fund reflects GASB 68 and 75 adjustments.

MACOMB COMMUNITY COLLEGE

Combining Statement of Revenues, Expenses, Transfers and Changes in Net Position (Unaudited)
Year Ended June 30, 2023

	Combined Total	Elimination	General Fund	Pension and OPEB Liability Fund *	CARES CRSSA/ARPA Fund	Expendable Restricted Fund	Student Loan Fund	Plant Fund
Operating revenues								
Tuition and fees (net of scholarship allowance of $14,500,000)	$ 36,062,082	$ (14,500,000)	$ 50,534,909	$ -	$ -	$ 27,173	$ -	$ -
Federal grants and contracts	3,913,984	-	5,632	-	-	3,908,352	-	-
State and local grants and contracts	5,133,515	-	29,875	-	-	5,103,640	-	-
Nongovernmental grants	1,625,554	-	63,925	-	-	1,561,629	-	-
Center for Performing Arts	1,428,720	-	1,428,720	-	-	-	-	-
Indirect cost recoveries	-	(313,411)	313,411	-	-	-	-	-
Miscellaneous	2,893,112	-	2,362,868	-	-	121,679	-	408,565
Total operating revenues	**51,056,967**	**(14,813,411)**	**54,739,340**	**-**	**-**	**10,722,473**	**-**	**408,565**
Operating expenses								
Instruction	46,965,997	(35,518)	49,946,816	(4,067,279)	-	1,121,978	-	-
Information technology	8,122,229	-	8,526,986	(404,757)	-	-	-	-
Public services	3,679,298	-	3,853,957	(221,662)	-	47,003	-	-
Instructional support	20,029,981	(199,799)	19,206,529	(1,412,600)	45,256	2,390,595	-	-
Student services	24,473,352	(14,576,551)	13,635,237	(908,119)	621,112	25,701,673	-	-
Institutional administration	16,509,775	-	17,196,182	(1,054,177)	-	367,770	-	-
Operation and maintenance of plant	18,186,887	(1,543)	16,029,540	(712,526)	86,167	16,325	-	2,768,924
Depreciation	24,328,846	-	-	-	-	-	-	24,328,846
Amortization	2,539,990	-	-	-	-	-	-	2,539,990
Total operating expenses	**164,836,355**	**(14,813,411)**	**128,395,247**	**(8,781,120)**	**752,535**	**29,645,344**	**-**	**29,637,760**
Operating (loss) income	**(113,779,388)**	**-**	**(73,655,907)**	**8,781,120**	**(752,535)**	**(18,922,871)**	**-**	**(29,229,195)**
Nonoperating revenues (expenses)								
State appropriations	35,950,400	-	35,950,400	-	-	-	-	-
State appropriations for UAAL	1,738,729	-	-	1,738,729	-	-	-	-
Local community stabilization	4,467,269	-	4,467,269	-	-	-	-	-
Property tax levy	45,866,868	-	45,866,868	-	-	-	-	-
Federal pell grants	19,609,588	-	-	-	-	19,609,588	-	-
Federal Higher Education Emergency Relief Funds grant	1,598,816	-	-	-	1,598,816	-	-	-
Investment income	3,361,225	-	2,862,386	-	-	-	-	498,839
Net realized and unrealized loss on investments	(2,190,341)	-	(2,190,341)	-	-	-	-	-
Gifts between college and foundation	1,694,500	-	633,950	-	-	1,060,550	-	-
Net nonoperating revenues	**112,097,054**	**-**	**87,590,532**	**1,738,729**	**1,598,816**	**20,670,138**	**-**	**498,839**
Other revenues								
State capital appropriations	4,904,377	-	-	-	-	-	-	4,904,377
Capital gifts and grants	48,292	-	-	-	-	-	-	48,292
Total other revenues	**4,952,669**	**-**	**-**	**-**	**-**	**-**	**-**	**4,952,669**
Transfers in (out)	-	-	(11,175,342)	-	(846,281)	55,623	-	11,966,000
Change in net position	**3,270,335**	**-**	**2,759,283**	**10,519,849**	**-**	**1,802,890**	**-**	**(11,811,687)**
Net position (deficit) - beginning of year	175,361,071	-	51,733,287	(224,447,161)	-	2,880,009	-	345,194,936
Net position (deficit) - end of year	**$ 178,631,406**	**$ -**	**$ 54,492,570**	**$ (213,927,312)**	**$ -**	**$ 4,682,899**	**$ -**	**$ 333,383,249**

* The Pension and OPEB Liability Fund reflects GASB 68 and 75 adjustments.